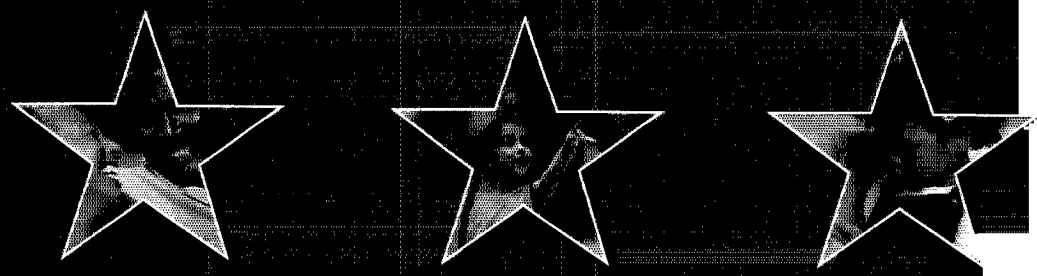
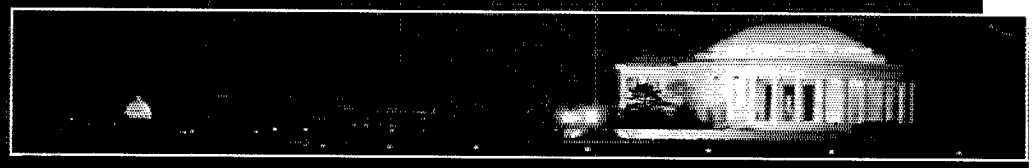
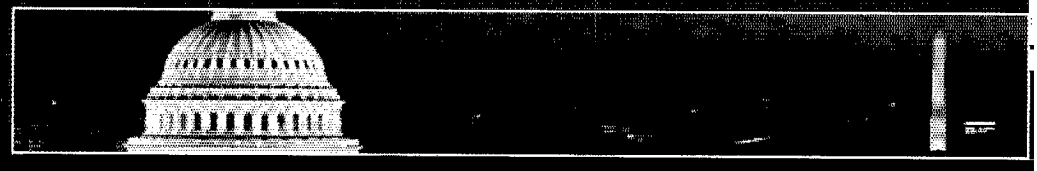
District of Columbia







Year Ended September 30, 1998

ANTHONY A. WILLIAMS
MAYOR

February 5, 1999

Dear Citizens:

As Mayor of the District of Columbia, it gives me great pleasure to report that the city's Fiscal Year 1998 Comprehensive Annual Financial Report proves that we have come out of our financial crisis – something we accomplished faster than any other city and without resorting to borrowing. This financial report shows that we have an operating surplus of $445 million in FY 1998, which more than eliminates the District's accumulated deficit and leaves more than $100 million to invest in our future.

In addition, the city has received its second consecutive unqualified opinion on its financial statements, demonstrating that sound financial management has been restored to a city that was insolvent four short years ago.

I would like to commend the financial managers and their staffs, whose hard work is reflected in this accomplishment. I would especially like to thank Interim Chief Financial Officer Earl C. Cabbell, the heavyweight behind the FY 1997 clean audit opinion and the man who has helped stay the District's financial course since his appointment last June.

What does this news mean to the citizens of the District of Columbia? It means it's time to invest in our city. It's time to build strong schools, safe streets, clean communities, affordable housing, reliable transportation and better access to health care.

Building a better city will take time, but my administration is committed to providing visible, tangible service improvements within the first six months of 1999. I look forward to working with the District of Columbia City Council, the White House, Congress, the Financial Authority, and most importantly our partners in the private and nonprofit sectors, to make the District the best city in America.

Sincerely,

Anthony A. Williams
Mayor

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Earl C. Cabbell
Interim Chief Financial Officer

February 5, 1999

The Honorable Anthony A. Williams
Mayor of the District of Columbia

I am pleased to present the District of Columbia's Fiscal Year 1998 Comprehensive Annual Financial Report. The financial audit indicates that the District ended Fiscal Year 1998 with an operating surplus of $445 million, which has allowed us to eliminate the accumulated deficit of $332.3 million and build a fund balance of $112 million.

Building on our success in Fiscal Year 1997, we again obtained an unqualified (clean) opinion of the financial statements from the independent auditors. I would like to commend the hundreds of financial staff, whose continued vigilance ensured that we properly addressed previous audit concerns. By sustaining controls and management improvements, we have demonstrated that last year's clean opinion was not an aberration.

The District's budget surplus mirrors a national trend, as an improved economy continues to fuel record-setting surpluses in states across the country. In addition, improvements in tax administration have brought substantial increases in voluntary compliance by taxpayers as well as collections on delinquent accounts. Revenue of $268 million above original forecasts represents increases in income and other taxes.

The surplus also reflects the city's continued budget discipline—program agencies stayed within their appropriations. Finally, favorable balance sheet adjustments, including a drop in Medicaid accruals, contributed to the surplus.

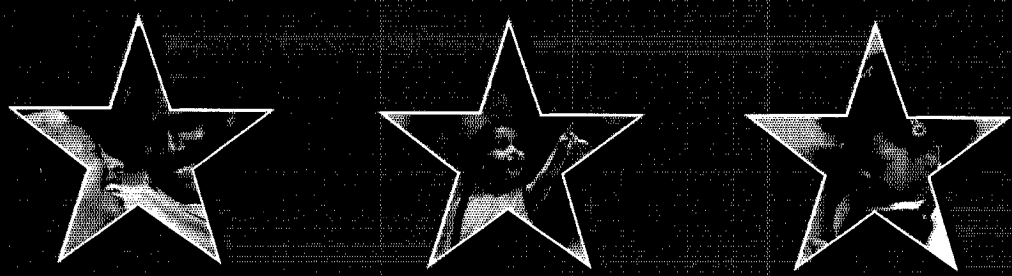
Although the surplus is great news, the District's financial condition remains fragile. The city must maintain fiscal discipline as it works to improve services and promote economic development. I look forward to working with District policymakers to improve the city's long-term financial posture. We will continue to work to integrate program and financial management, and to use our strong financial position to support program agencies in their service delivery missions.

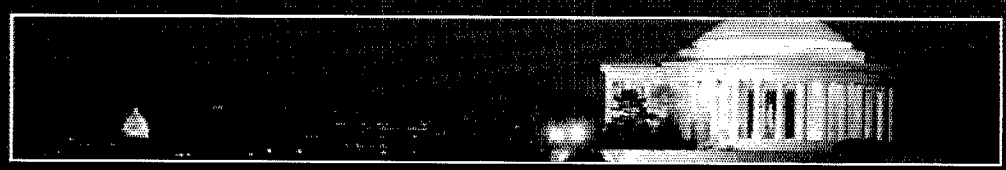
Sincerely,

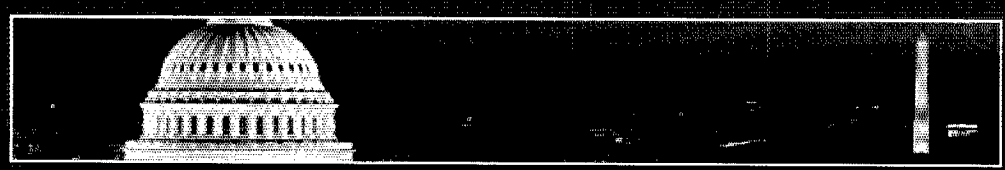
Earl C Cabbell

Earl C. Cabbell
Interim Chief Financial Officer

Introductory Section







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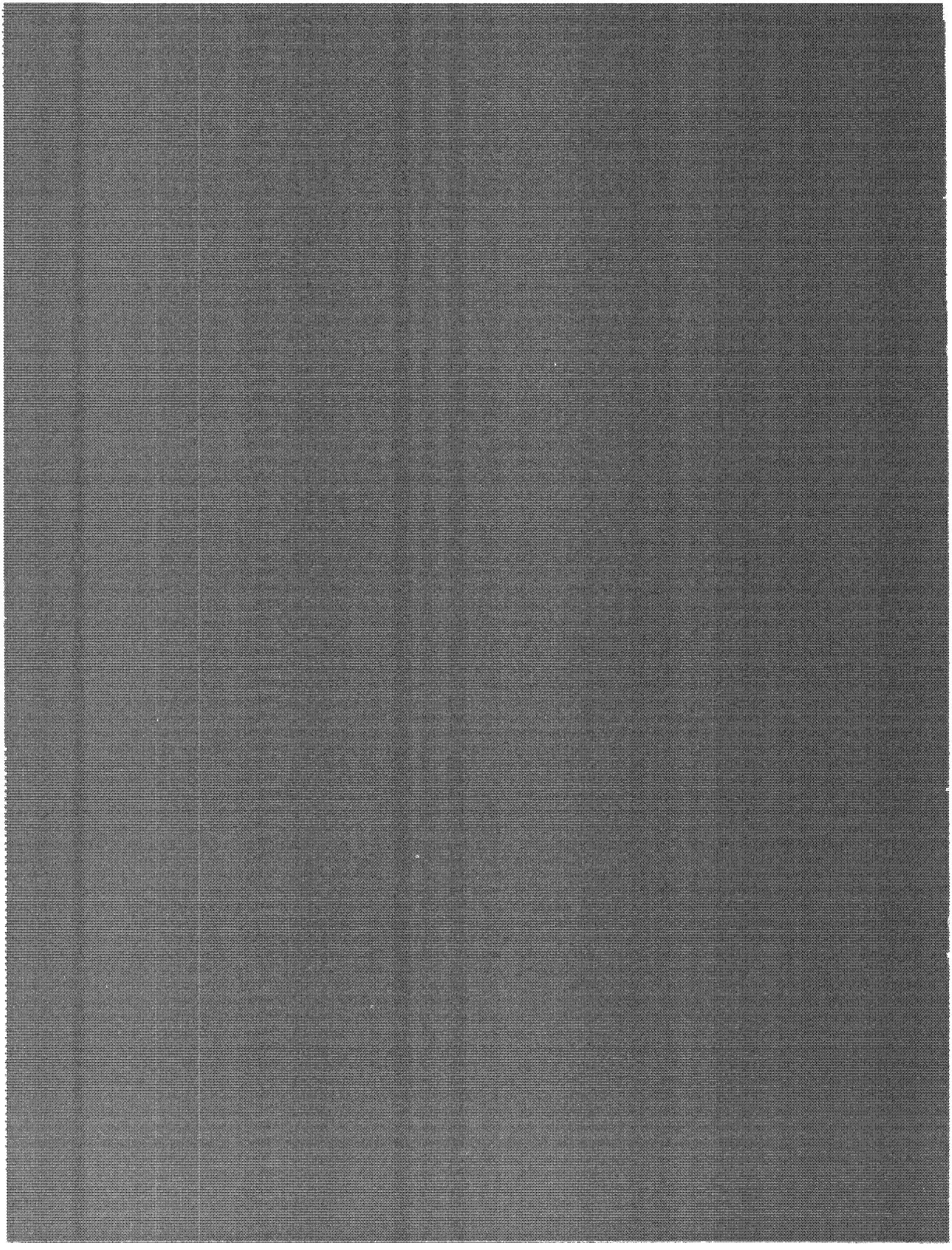

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 1998

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DISTRICT OF COLUMBIA

OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS

810 FIRST STREET, NORTHEAST
WASHINGTON, DC 20002
202-442-8200
(FAX) 202-442-8201

February 1, 1999

Mr. Earl C. Cabbell
Interim Chief Financial Officer:

Management Responsibility

The comprehensive annual financial report of the District of Columbia for the fiscal year ended September 30, 1998, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Sections

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the District's organizational chart, a list of principal officials and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the general purpose financial statements and the combining and individual fund statements and schedules, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Financial Reporting Entity

A financial reporting entity consists of a primary government and its component units. The primary government is the District which consists of all the organizations that make up its legal entity. The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) is presented as a blended component unit, as required by generally accepted accounting principles (GAAP). The District is not financially accountable for and exercises no control over the Financial Responsibility Authority. The lottery, unemployment compensation and retirement programs are not legally separate organizations and their financial data are included with the financial data of the primary government. In accordance with the amendment of Section 457 of the Internal Revenue Code, as well as the requirements of Statement Number 32 of the Governmental Accounting Standards Board (GASB), the District has amended its deferred compensation plan and no longer retains a fiduciary responsibility for the plan. Consequently, the plan is no longer reported in the financial data of the primary government.

The public benefit corporation, water and sewer, convention center, sports commission, housing finance and university are legally separate organizations for which the elected officials of the District are financially accountable. The financial data of these component units are reported separately from the financial data of the primary government.

The District of Columbia Housing Authority is a legally separate organization for which the District is accountable because it appoints a voting majority of the board, but is not financially accountable. The housing authority was placed into receivership by a May 19, 1995 order of the Superior Court of the District of Columbia. Transactions between the housing authority and the District are presented in the notes to the financial statements.

The Washington Metropolitan Area Transit Authority is a legally separate organization that is owned, operated and governed by Maryland, Virginia and the District as a joint venture in which the participants retain an ongoing financial responsibility. Transactions between the Transit Authority and the District are presented in the notes to the financial statements.

Economic Condition And Outlook

As the nation's capital, the District of Columbia is the seat of the three branches of the Federal government and headquarters for most Federal departments and agencies. The Federal work force in the District averaged 185,000 employees in 1996 while an additional 155,000 Federal employees worked elsewhere in the metropolitan area. This represents a 9% decrease in the Federal work force in the District since 1994 and 17% since 1992. Additional Federal work force reductions are expected through 1999. With this downsizing and other actions to balance the Federal budget, the District's economy has contracted. Further, the District has benefited from only 2.0% of the 19.0% increase in Federal procurement spending between 1992 and 1995.

In addition to its role as the nation's capital, the District is host to 165 foreign embassies and more than 36 other recognized diplomatic missions, with more than 7,500 employees. A number of international organizations have their headquarters in the District, including the International Monetary Fund, the World Bank, the World Health Organization, the Inter-American Development Bank, and the Organization of American States.

There are 56 museums and 351 historic landmarks that attract millions of visitors to Washington, D.C. annually. Some of the more prominent attractions include the White House, the Capitol, the Smithsonian Institution, and the Washington, Lincoln, and Jefferson monuments. The Franklin Delano Roosevelt Memorial is the most recent addition. Among other popular attractions are the National Archives, the Frederick Douglas National Historic Site, the National Zoo, and the John F. Kennedy Center for the Performing Arts and the Warner Theater. The historic Lincoln Theater has been fully restored and reopened in 1994.

In 1995, approximately 20.4 million people visited the Washington D.C. area and spent a total of $4.87 billion for lodging, meals, retail purchases and services. This $4.87 billion in direct visitor spending generated an additional $3.07 billion in indirect local economic growth in the form of jobs in related industries, wages and tax revenues. The total economic impact of the tourism/hospitality industry is $7.94 billion supporting 215,000 newly created jobs for the region and 100,700 for the District of Columbia. The District's share of the total visitor spending was $3.48 billion.

The Washington metropolitan area has developed into a diverse economic entity with Federal government employment providing the base. Significant expansion in services, aerospace, high technology and communications provide many employment opportunities and the region has developed into a site for corporate headquarters. The District is home of several major institutions of higher education, including American University, Catholic University, Gallaudet University, Georgetown University, George Washington University and Howard University. The District has 15 acute care, including three teaching, and 2 psychiatric hospitals, including the Children's Hospital National Medical Center, District of Columbia Health and Hospitals Public Benefit Corporation, Georgetown University Hospital, George Washington University Hospital, Howard University Hospital, St. Elizabeths Hospital, the Walter Reed Army Medical Center and the Washington Hospital Center that operates a regional shock and trauma center. The headquarters of more than 2,500 national trade associations, voluntary societies and labor organizations are located in the District.

Total employment in the District declined to 615,000 in 1997 from 623,000 in 1996. In the District in 1997 and 1996, the government sector provided 37.9% and 38.7% of total employment, and private employment in the District constituted 62.1% and 61.3% of total employment divided between services (43.3% and 42.2%), wholesale/retail (8.0% and 8.0%), finance, insurance and real estate (4.6% and 4.5%), transportation and public utilities (2.9 and 3.0%) and construction and manufacturing (3.6% and 3.4%).

Total employment in the metropolitan area was 2,519,000 in 1997 and 2,474,900 in 1996. (This number excludes self-employed, domestic workers, military and foreign government personnel. As such, the number excludes significant portions of the actual employed work force in the area.) District employment is approximately 24% of the area total. The September 1998 unemployment rate in the District was 8.5%, compared to 7.7% in September 1997 and to 4.4% and 4.9% in the nation in September 1998 and 1997.

Per capita personal income in the District was $36,248 and $34,932 in 1998 and 1997, compared to $25,598 and $24,294 for the United States. The relatively high per capita and household incomes in the District result from a combination of factors including multiple earner households, small household size (2.3 persons in the 1990 and 2.2 in 1997) and a large percentage of college graduates concentrated in highly-skilled occupations. The District has a significant number of lower income residents with 21% of the population in poverty according to the 1990 census and 20% of the population receiving Medicaid benefits in 1995. In 1990, the District had a median household income of $30,727 and 15% of households at poverty levels. The most affluent ward had $48,867 and 6% respectively, and the lease affluent ward had $21,312 and 26% respectively. Five of the other six wards had a poverty household rate of 15% to 18%. Public assistance recipients represented 10.9% and 16.6% of the 1990 and 1996 population, respectively. Food Stamp Program participation covered 40,000 households, or 17.5% of households, and 90,000 persons, or 17.3% of the population, in 1997. The National School Lunch Program covered 51,000 students in 1997.

The District population continued to decline in 1998 to 523,124, but there is optimism that the city's long decline in population may be leveling off since this is the third straight year that the rate of decline has decreased. The population is projected to continue to decline through 2000 and then start increasing again by 2005. Census data indicated a 16% population decrease between 1970 and 1980, and an additional 5% between 1980 and 1990. The population under 20 years of age represented 76% of the decline between 1970 and 1990. Adults over 64 years of age increased by 5% over that same 20 year period. Population estimates since 1990 indicate a continuing decline in total population of about 1.7% per year, although the decline in 1998 was only 1.3%.

Economic growth in the District is expected to be slower in 1999 than in 1997 and 1998. Government employment will continue to decline through 1999. There is expected to be a slight increase in total employment which would be the first net gain since 1994 and would mark an important milestone in the District's shift to an economy that is more heavily oriented to private sector services.

Major Initiatives

The District has experienced a substantial decline in the assessed value of taxable real property, from $48.7 billion in 1992 to $43.2 billion in 1998 and resulting mostly from commercial property, which decreased in value from $27.9 billion in 1992 to $19.7 billion in 1998. However, commercial property has seen a small increase since 1997, the first increase since 1992.

At year end, the District was constructing 59 projects. The amount authorized for these projects was $429.9 million, of which $160.7 million was expended to date, and the unexpended balance was $269.2 million.

In December 1997 a privately financed downtown sports arena, the MCI Center, opened adjacent to the convention center. The arena has 20,000 seats and 50,000 square feet of retail space. The Redevelopment Land Agency acquired land and financed related infrastructure improvements from dedicated District taxes. In 1995 the District established the Washington Convention Center Authority to operate the existing convention center and to construct a new convention center using dedicated tax revenues. The convention center project will provide direct construction employment opportunities, and both projects will provide operation employment opportunities and indirect opportunities for the hospitality and tourism segments of the District.

The Taxpayer Relief Act of 1997 (PL 105-34) established the District of Columbia Enterprise Zone through December 31, 2002, consisting of the existing enterprise community plus all other census tracts for which the poverty rate is at least 20%, and increased the limitation on tax-exempt economic development bonds to $15 million. The law eliminated the Federal capital gains tax through December 31, 2007, on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%; and provides a maximum $5,000 Federal income tax credit through December 31, 2000, for qualified first time home buyers.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (Revitalization Act) became effective on October 1, 1997. The Revitalization Act created many financial and structural changes between the District and the Federal government. Financially, the Federal Medicaid reimbursement rate increased to 70% from 50%, the debt service limitation was increased to 17% of general fund revenues from 14%, pension costs for services rendered prior to July 1, 1997, were assumed by the Federal government, the Federal payment in lieu of taxes was eliminated, and a Federal contribution of $190 million was authorized to reflect restrictions and unusual costs imposed on the District. Structurally, the District's court and felony offender systems have been transferred to the Federal government.

Year 2000 Issues

The Year 2000 (Y2K) presents potential problems for computerized data files and computer programs that capture and process date information. Many computer applications were written with the year represented by the last two digits of the year and the first two digits were implied, conserving data storage. When developed, these applications were not expected to be in operation at the end of the century; however, many of these applications continue to be used by the District and organizations with which the District conducts business. The Y2K problem could adversely affect District operations.

To address Y2K issues, the District has established a Year 2000 program office to manage and coordinate Y2K compliance activities throughout the District. Activities conducted by this office include assessments of information technology (IT) systems, providing hardware and software support, remediating and testing IT systems, identifying non-IT assets with Y2K risks, contingency planning, and vendor management. The office has identified over 300 applications across 68 District agencies, of which 16 agencies have been deemed mission critical.

The District has budgeted approximately $31 million in fiscal 1999 for Y2K remediation efforts. The District has requested a supplemental appropriation of $111 million for fiscal 1999 to accelerate the pace of its Y2K remediation efforts. The Y2K compliance program is one of the top priorities of the Financial Responsibility Authority and is being funded as part of the overall management reform effort. More detail relating to the District's Y2K compliance status is provided in Note 11 of this report.

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity (corresponding to a corporation in the private sector) having its own assets, liabilities, equity, revenues and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles. The number of funds established within each type is determined by sound financial administration. Specialized accounting and reporting principles and practices apply to governmental and expendable trust funds. Proprietary and pension trust funds are accounted for in the same manner as similar business enterprises or nonbusiness organizations.

Internal Control

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by the United States Congress. A project-length financial plan is adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund. The District also maintains an encumbrance recording system as one technique of accomplishing budgetary control. Generally, encumbered amounts lapse at year end in the General Fund but not in the Capital Projects Fund.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), and certain pension and other employee benefits, and other expenditures on a cash basis, and budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Office of Cable Television, the Public Service Commission, the Office of the People's Counsel, Insurance and Securities, Banking, and Correctional Industries. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received.

As with the financial section, all amounts presented in the remainder of this letter are expressed in thousands. Certain 1997 amounts have been restated for comparability.

Financial Summary

The combined fund balances/retained earnings of the financial reporting entity (excluding pension trust funds) increased $699,209 in 1998 as compared with an increase of $513,466 in 1997, a favorable change of $185,743 or 36.2%. A one-page comparative schedule combining operating results and financial flow performance is shown in Exhibit G-5 of this report.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The General Fund operations are summarized below.

	1998	1997	Increase (Decrease)	Percent
Revenues	$ 4,409,095	4,476,289	(67,194)	(1.5) %
Expenditures and uses	3,964,246	4,290,397	(326,151)	(7.6)
Excess (Deficiency)	$ 444,849	185,892	258,957	139.3 %

The General Fund changes in cash and investments are summarized below.

	1998	1997	Increase	Percent
Cash receipts	$ 5,006,021	4,721,945	284,076	6.0 %
Cash payments	4,858,776	4,636,973	221,803	4.8
Increase	$ 147,245	84,972	62,273	73.3 %

The General Fund had a positive total fund balance of $112,492 at September 30, 1998, represented by assets of $1,223,919 less liabilities of $1,111,427. The fund balance is reserved in the amount of $33,403 to indicate the portion that is not available for expenditure within one year.

The District's cash position improved significantly in fiscal year 1998 due to improved cash collections and the assumption by the Federal government of certain governmental functions. As of the beginning of fiscal year 1999, the District had projected cash requirements in excess of regular projected receipts of approximately $140 million during the fiscal year. To cover these projected cash flow needs, the District issued general obligation tax revenue anticipation notes of $180 million in November 1998 to be repaid in 1999. The District projects having sufficient cash from operations to repay the notes.

8 ★ DISTRICT OF COLUMBIA

The following summary presents revenues by source class for the current year and the amount and percentage of increases and decreases in relation to prior year revenues.

Source Class	1998 Amount	1998 Percent	Increase (Decrease) From 1997 Amount	Increase (Decrease) From 1997 Percent
Property taxes	$ 695,440	15.8 %	$ 7,841	1.1 %
Sales and use taxes	649,896	14.7	35,995	5.9
Income and franchise taxes	1,083,102	24.6	141,534	15.0
Gross receipts taxes	247,580	5.6	8,682	3.6
Other taxes	139,882	3.2	44,504	46.7
Total taxes	2,815,900	63.9	238,556	9.3
Licenses and permits	48,123	1.1	2,633	5.8
Fines and forfeits	53,177	1.2	1,513	2.9
Charges for services	80,128	1.8	(7,256)	(8.3)
Miscellaneous	180,604	4.1	37,956	26.6
Total District sources	3,177,932	72.1	273,402	9.4
Payment in lieu of taxes	198,000	4.5	(467,702)	(70.3)
Operating grants	1,033,163	23.4	127,106	14.0
Total Federal sources	1,231,163	27.9	(340,596)	(21.7)
Total revenues	$ 4,409,095	100.0 %	$ (67,194)	(1.5) %

The following summary presents expenditures and uses by function for the current year and the amount and percentage of increases and decreases in relation to prior year expenditures and uses.

Function	1998 Amount	1998 Percent	Increase (Decrease) From 1997 Amount	Increase (Decrease) From 1997 Percent
Current expenditures:				
Governmental direction	$ 168,292	4.2 %	$ 14,515	9.4 %
Economic development	181,839	4.6	27,085	17.5
Public safety and justice	550,876	13.9	(443,679)	(44.6)
Public education system	670,205	16.9	2,821	0.4
Human support services	1,728,752	43.7	126,726	7.9
Public works	262,145	6.6	2,655	1.0
Future employee benefits	(142,224)	(3.6)	(181,996)	(457.6)
Total	3,419,885	86.3	(451,873)	(11.7)
Debt service:				
Principal	219,435	5.5	11,532	5.5
Interest and fiscal charges	180,427	4.6	(7,225)	(3.9)
Other financing uses:				
Net refunding proceeds	(10,449)	(0.3)	(11,143)	(1,605.6)
Sale/Capital lease	(197)	-	57,300	(99.7)
Transfers	155,145	3.9	75,258	94.2
Total expenditures and uses	$ 3,964,246	100.0 %	$ (326,151)	(7.6) %

The following summary presents current expenditures by object class for the current year and the amount and percentage of increases and decreases in relation to prior year current expenditures.

Object Class	1998 Amount	1998 Percent	Increase (Decrease) From 1997 Amount	Increase (Decrease) From 1997 Percent
Salaries and wages	$ 1,180,964	34.5 %	$ (151,740)	(11.4) %
Total employee benefits	381,637	11.2	(89,596)	(19.0)
Future employee benefits	(142,224)	(4.2)	(181,996)	(457.6)
Contractual services	433,108	12.7	1,496	0.3
Supplies	50,005	1.5	(7,333)	(12.8)
Occupancy	123,674	3.5	(6,958)	(5.3)
Public assistance	829,410	24.3	(216,232)	(20.7)
Other	563,311	16.5	200,486	55.3
Total current expenditures	$ 3,419,885	100.0 %	$ (451,873)	(11.7) %

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Financial Responsibility Authority Fund is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The Financial Responsibility Authority operations are summarized below.

	1998	1997	Increase	Percent
Revenues	$ 4,828	2,267	2,561	113.0 %
Financing sources	9,543	6,602	2,941	44.5
Expenditures	14,371	8,344	6,027	72.2
Excess (Deficiency)	$ -	525	(525)	(100.0) %

Capital Projects Fund

The Capital Projects Fund is used to account for the purchase or construction of fixed assets which are wholly or partly financed by transfers of taxes dedicated to highway projects, capital grants or general long term debt. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus.

During 1998, grants, interest, debt and transfers totaled $349,294 and capital outlays were $264,533 which resulted in a surplus of $84,761. The capital outlays consisted of $260,837 for general fixed assets and$3,696 for component units fixed assets. The Capital Projects Fund had a total fund balance at the end of the year of $223,990, of which $43,160 is reserved for certain highway projects.

Enterprise Fund

Enterprise funds are used to account for organizations engaged primarily or solely in selling goods or services to the general public on a continuing basis. Operations are reported to show a net income or net loss on a flow of economic resources measurement focus. The Lottery and Games Fund operates a lottery and licenses charitable bingo, raffles and Monte Carlo parties. The Lottery and Games enterprise fund is summarized below.

Operating Revenues	Income Before Transfers		Interfund Transfers In (Out)		Retained Earnings	
1998	1998	1997	1998	1997	1998	1997
$ 103,769	81,401	69,334	(81,300)	(69,200)	3,152	3,051

Component Units

Component units are legally separate organizations for which the elected officials of the District are financially accountable. Operations are reported on a flow of economic resources measurement focus. The six component units are summarized below.

	Operating Revenues	Income (Loss) Before Transfers		Intragovernmental Transfers In	
Unit	1998	1998	1997	1998	1997
Public Benefits Corporation	$ 127,558	(23,403)	(40,936)	42,873	32,135
Water and Sewer	255,396	56,559	21,213	-	-
Convention Center	9,443	(5,627)	(9,627)	47,113	45,769
Sports Commission	8,121	1,400	1,464	-	-
Housing Finance	29,611	7,977	3,103	-	-
University	16,962	(42,532)	(38,467)	41,391	37,797
Total	$ 447,091	(5,626)	(63,250)	131,377	115,701

The District of Columbia Health and Hospitals Public Benefit Corporation was created by DC Law 11-212 to manage and control the General Hospital and the community health clinics and certain chronically ill services provided by the Department of Human Services. The District of Columbia General Hospital is an acute care facility utilizing 250 beds of its 410 bed capacity and is a major provider of health services to indigent patients. In addition to inpatient care, the hospital serviced 88,208 and 85,968 outpatient visits and 51,327 and 50,992 emergency room visits in 1998 and 1997, respectively. The corporation became operational October 1, 1997.

The Water and Sewer Authority operates a regional sewerage system and supplies to the District potable water from the Potomac River by financing the Washington Aqueduct operated by the US. Army Corps of Engineers. District waste treatment facilities process sewage for the District and local jurisdictions in suburban Maryland and northern Virginia. Through 1996, long term capital financing was provided by participating in general obligation bonds and notes payable to the Federal government. This debt was issued by the District and the unit repaid its share from operating revenues of the unit. Starting in 1997, bonds issued by the unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the unit will participate in new general obligation bonds issued by the District to refinance prior issuances in which the unit participated.

The Washington Convention Center is located midway between the Capitol and the White House and has 378,000 square feet of exhibit and meeting space on two levels. On October 2, 1998, the District broke ground on a new Washington Convention Center. At 2.1 million gross square feet, the facility will be the sixth largest convention center in the United States. The new Convention Center is scheduled to open in March 2003. Bonds issued by the Convention Center are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities, including the Robert F. Kennedy Memorial Stadium and the National Guard Armory; and may own and operate a professional sports franchise. Bonds issued by the Commission are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

Housing Finance Authority issues bonds and uses the proceeds to finance residential mortgage, construction and rehabilitation loans. Bonds issued by the Housing Finance Unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The University includes all activities of the University of the District of Columbia which is a land-grant institution that provides low cost courses leading to certificate, bachelor and advanced degrees in arts, sciences, teacher education, special career education and law.

The combined retained earnings of the component units was $320,481 at September 30, 1998.

Trust Funds

Trust funds are used to account for property to which the District has legal title in order to administer it for the benefit of others. Expendable trust funds are those whose principal may be expended and are reported on a flow of current financial resources measurement focus. Pension trust funds must preserve their principal intact and are reported on a flow of economic resources measurement focus.

The two trust funds are summarized below.

Fund	Additions/ Operating Revenues 1998	Deductions/ Expenditures 1998	Deductions/ Expenditures 1997	Net Increase/ Excess 1998	Net Increase/ Excess 1997
Unemployment Compensation	$ 113,867	76,995	103,731	36,872	24,624
Pension	112,702	3,129	391,770	109,573	977,526
Total	$ 226,569	80,124	495,501	146,445	1,002,150

The Unemployment Compensation Fund pays benefits to unemployed former employees of the District and Federal governments and private employers doing business in the District. At September 30, 1998, the fund had a total fund balance of $183,711.

The Pension Trust Funds pay benefits to retired judges, police officers, fire fighters and public school teachers under the District Retirement Programs which are contributory single employer defined benefit pension plans administered by the District. As stated earlier, on October 1, 1997, all responsibility for the Judges plan and all responsibility for the other employee groups for service provided prior to July 1, 1997, transferred to the Federal government. For service provided after June 30, 1997, the police officers, fire fighters and public school teachers are covered by a continuation of the existing plan with certain plan modifications as mandated by the Replacement Plan Act of 1998. The District made its actuarially required contribution of $47.7 million to the Police and Fire Fighters Plan and $9.6 million to the Teacher's Plan during the year ended September 30, 1998. Other employees are covered by the Civil Service or Social Security Retirement Systems administered by the Federal government or the section 401 defined contribution plan.

Debt Administration

The following summary presents the outstanding long term general obligation debt of the District at September 30, 1998 and 1997. No revenue, special assessment or overlapping debt exists.

Fund Type or Account Group	1998	1997
Component notes	$ -	10,142
Component bonds	114,122	271,958
General notes	-	39,706
General bonds	3,091,403	3,045,057
Total	$ 3,205,525	3,366,863

The percentage of debt to assessed value (which equals estimated actual value) and the amount of debt per capita (in dollars) are useful indicators of the District's debt position. These data for the District at September 30, 1998 and 1997 were as follows.

Indicator	1998	1997
Debt to assessed value	7.4 %	8.0 %
Debt per capita	$ 6,128	6,365

Through 1984, the District issued notes to the Federal government for authorized capital projects. Starting in 1985, the District has issued general obligation bonds to finance capital projects, to refinance old debt and to eliminate an operating deficit. At year end, there were no notes and 15 bond issues outstanding. The District has received a BB rating from Standard & Poor's Corporation, a BB+ rating from Fitch Investors Service, Inc. and a Ba1 rating from Moody's Investors Service, Inc. on its general obligation bond issues.

During the year, the District issued $206,135 of general obligation improving bonds. The proceeds were used for capital projects ($200,000), bond discounts ($3,237) and issuance costs ($2,898). The effective interest rates for the bond issue was 5.37%.

During the year, the District issued $451,635 of general obligation refunding bonds. The proceeds, plus the $25,337 bond premium, were used to pay issuance costs of $7,887 and to legally defease general obligation bonds payable of $402,230 and U.S. Treasury notes payable of $29,528. The refunding gave rise to an economic gain of $17,286 resulting from reduced future interest payments. The effective interest rate for the bonds was 5.11%.

Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term general obligation debt to exceed 17% of the revenues of the fiscal year in which the debt is issued, as calculated in Exhibit S-11. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The debt service percent limitation was increased from 14 to 17 percent in fiscal year 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997, accounting for the decrease in revenues from the repeal of the Federal payment in lieu of taxes and the loss of court revenues. At September 30, 1998, the District's general obligation debt of $3,205,525 was approximately $262,273 below the legal debt limitation of approximately $3,467,798.

Capital appreciation bonds are issued with a stated interest rate of zero percent. The interest is not paid until the bonds mature. To provide full disclosure, the interest is accreted over the lives of the bonds in the General Long Term Liabilities Account Group.

The District has issued private activity bonds whose principal and interest are not general obligations of the District and are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. As of September 30, 1998, the bonds had an outstanding aggregate principal amount of $1,820,392 and are not recorded as a liability of the District.

During the year, the District issued $400,000 of general obligation tax revenue anticipation notes. The stated interest rate, net interest cost, and payment dates for principal and interest were as follows for each note:

Issue Amount	Interest Rate	Net Interest Cost	Payment Date
$100,000	3.70%	4.22%	05/29/98
$250,000	4.50%	4.33%	09/30/98
$ 50,000	5.00%	4.62%	09/30/98

During the year, the District paid $223,100 of short term notes issued to the Federal government in 1997 with interest rates from 5.56% to 5.73%.

During the year, the District paid $74,000 of general obligation notes that were issued in 1997 with a stated interest rate of 3.98% through September 30, 1997, and a variable rate (not to exceed 12.00%) thereafter until redeemed in 1998.

Cash Management

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is invested in obligations which are guaranteed fully by the Federal government, such as mutual funds of Federal government obligations or repurchase agreements collateralized by Federal government obligations. The Financial Institutions Deposit and Investment Amendment Act of 1997 (DC Code 47-351.3) authorized the District to invest in certain obligations that may not be guaranteed by the Federal Government; however, no investment policy changes were made by the District during fiscal year 1998. Deposits and investments, except for investments of the Housing Finance Unit, are collateralized with securities which are held by the District or by its agent in the District's name. The District earned $12,211 on its investments in 1998 and $10,657 in 1997, average yield rates of 5.46% and 5.36%, respectively, exclusive of fiduciary funds.

Risk Management

The District retains the risk of loss arising out of the ownership of property or from some other cause, except health care and life insurance benefits for employees. Assets are not set aside to finance losses, which are recognized in the affected fund when they occur.

Budgetary Compliance

The following summary presents comparisons between appropriated actual amounts and appropriated budget amounts (as amended) of the General Fund for the year ended September 30, 1998.

	GAAP Basis	Nonappro-priated	Appropriated (Budget Basis)		
			Actual	Budget	Variance
Revenues and sources	$ 4,967,564	551,051	4,416,513	4,141,879	274,634
Expenditures and uses	4,522,715	620,851	3,901,864	4,107,274	205,410
Excess (Deficiency)	$ 444,849	(69,800)	514,649	34,605	480,044

Independent Audit

District law (DC. Code 47-119) requires an annual financial audit of the District by independent certified public accountants. The audit must be conducted in accordance with generally accepted auditing standards and the financial statements must be prepared in conformity with generally accepted accounting principles. The District has complied with these requirements and the independent auditors' report is included in the financial section of this report.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the year ended September 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

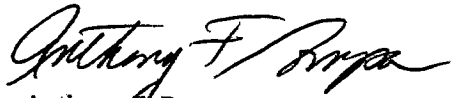
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received a Certificate of Achievement for fifteen of the last seventeen years. The District believes that the current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and it is being submitted to the GFOA.

Acknowledgments

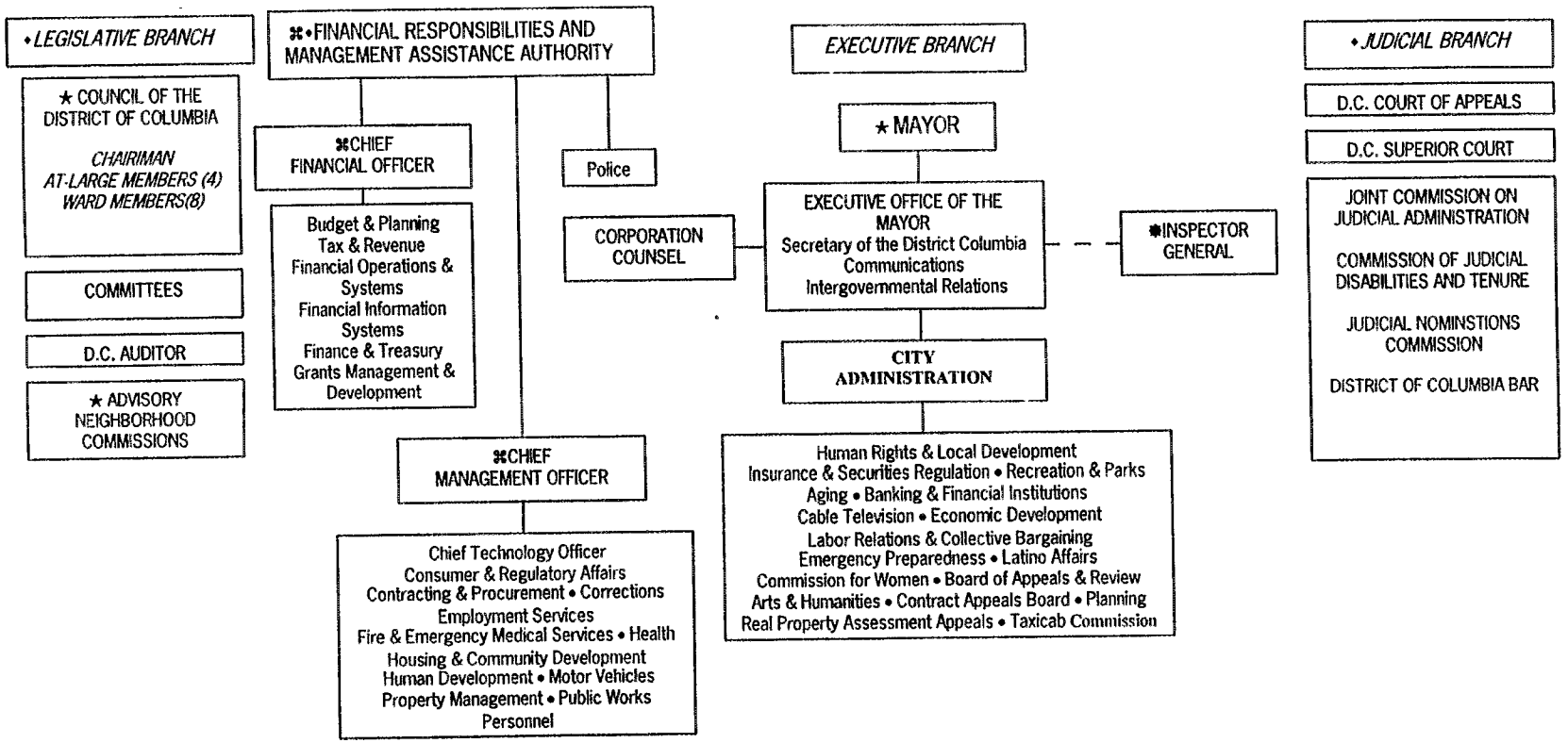
The preparation of the comprehensive annual financial report was made possible by the dedicated staff of the Office of Financial Operations and Systems. We would like to express our appreciation to each member of the staff who contributed to the preparation of this report and especially to Michael K. Johnson, Haig Gakavian, Loretta Braxton, Samuel Cho, and Marie Kamara.

Respectfully submitted,



Anthony F. Pompa
Interim Deputy Chief Financial Officer,
Financial Operations and Systems

GOVERNMENT OF THE DISTRICT OF COLUMBIA
(Structural Organization)



✸ STATUS BY INDEPENTENT AGENCIES

Water & Sewer Authority • Health & Hospital Public Benefits Corp • Retirement Board
Office of Employee Appeals • Public Employee Relations Board • Convention Center
Board of Directors Housing Finance Agency • Board of Trustees Public Defenders Services
Board of Directors Pretrial Services Agency Lottery & Charitable Games Control Board •
Board of Library Trustees
Univ. of the District of Columbia Board of Trustees
D.C. Sports & Entertainment Commission • D.C. Housing Authority • Public Benefits Corp.
Peoples Counsel

⩚ CHARTER INDEPENDENT AGENCIES

Zoning Commission
Board of Education/Public Schools
Public Service Commission • Armory Board
Board of Elections & Ethics

REGIONAL BODIES

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NATIONAL CAPITAL PLANNING COMMISSION
WASHINGTON METROPOLITAN TRANSIT AUTHORITY
WASHINGTON METROPOLITAN TRANSIT COMMISSION
WASHINGTON MEROPOLITAN AIRPORT AUTHORITY

★ ELECTED OFFICIALS
⌘ ESTABLISHED BY P.I. 104-8
• NOT SUBJECTED TO MAYOR'S REORGANIZATION AUTHORITY
✸ INDEPENDENT AGENCIES
⩚ CHARTER INDEPENDENT AGENCIES

11/4/98

PRINCIPAL OFFICIALS

January 2, 1999

Name	Position	First Elected Or Appointed	Term Expires
	Chief Executive Officer		
Anthony A. Williams	Mayor	1999	2003
	Council		
Linda W. Cropp	Chairman	1991	1999
Harold Brazil	At Large	1991	2001
David A. Catania	At Large	1997	2003
Phil Mendelson	At Large	1999	2003
Carol Schwartz	At Large	1997	2001
Jim Graham	Ward 1	1999	2003
John K. Evans	Ward 2	1991	2001
Kathleen Patterson	Ward 3	1995	2003
Charlene Drew Jarvis	Ward 4	1979	2001
Vincent Orange	Ward 5	1999	2003
Sharon Ambrose	Ward 6	1997	2003
Kevin P. Chavous	Ward 7	1993	2001
Sandy Allen	Ward 8	1997	2001
	Chief Judges		
Annice M. Wagner	Court of Appeals		2009
Eugene N. Hamilton	Superior Court		2008
	House Of Representatives		
Eleanor Holmes Norton	Delegate	1991	2001
	Executive Officers		
Earl C. Cabbell	Chief Financial Officer (Interim)		
Honorable John M. Ferren	Corporation Counsel		
{Vacant}	Chief Management Officer		
Beverly D. Rivers	Secretary of the District of Columbia (Acting)		
E. Barett Prettyman, Jr.	Inspector General		
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems (Interim)		
Abdusalam H. Omer	Deputy CFO, Budget and Planning		
Thomas F. Huestis	Deputy CFO, Finance and Treasury		
Natwar M. Gandhi	Deputy CFO, Tax and Revenue		
LaMont J. Wells	Deputy CFO, Information Systems		
	Financial Responsibility And Management Assistance Authority		
Alice M. Rivlin	Chairperson	1998	2001
Constance B. Newman	Vice Chairperson	1995	2001
Darius Mans	Member	1998	2001
Robert P. Watkins, III	Member	1998	2001
Eugene Kinlow	Member	1998	2001

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a summary overview of the financial position of all fund types, account groups and component units; and of the operating results of all fund types and component units.

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Mitchell & Titus, LLP

Certified Public Accountants
and Consultants

Mitchell & Titus, LLP
Board of Trade Building
1129 20th Street, NW. Suite 800
Washington, DC 20036

Independent Auditors' Report

To the Mayor and Council of the District of Columbia

Inspector General of the District of Columbia

District of Columbia Financial Responsibility
And Management Assistance Authority

We have audited the general purpose financial statements of the District of Columbia (the District), as of and for the year ended September 30, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in this and the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the District of Columbia Retirement Board, the Pension Trust Fund within the Fiduciary Fund Type, and the District of Columbia Water and Sewer Authority, were audited by other auditors in accordance with generally accepted auditing standards, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 issues*, requires disclosure of certain matters regarding the year 2000 issue. The District has included such disclosures in Note 11. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the District's disclosures with respect to the year 2000 issue made in Note 11. Further, we do not provide assurance that the District is or will be year 2000 ready, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business will be year 2000 ready.

As discussed in Note 1, Public Law 104-8 created the Authority, defined a "control period" and deemed a control period to exist. The District is still in a control period. Also, the National Capital Revitalization and Self Government Improvement Act of 1997 made significant changes to the District's Charter, its structure, and the services it provides with the objective of improving the District's financial condition. The ongoing financial and operational impact of this legislation is uncertain and the District may continue to face significant unresolved funding issues, the outcome of which may result in additional changes to the District's structure and level of services.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia, as of September 30, 1998, and the results of its operations, changes in plan net assets of the pension trust funds, and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the accompanying financial statements, during 1998 the District adopted Governmental Accounting Standards Board Statements:

- No. 27 – Accounting for Pensions by State and Local Government Employers, which changed certain reporting and disclosure requirements,

- No. 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which changed its method of recording investments, and

- No. 32 – Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which changed certain reporting and disclosure requirements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 29, 1999, on our consideration of the District's compliance with certain provisions of laws, regulations, contracts and grants, and the District's internal control over financial reporting. Our reports disclosed that previously reported potential material noncompliance with certain laws, regulations, contracts and grants, and the ineffective internal controls over financial reporting, persists and that many of the problems reported in prior years have remained uncorrected. As a result, potential material noncompliance continues in regard to:

- The District of Columbia Procurement Practices Act of 1985
- The Anti-deficiency and Home Rule Acts
- The Quick Payment Provision of the District of Columbia Code
- The Depository Act of 1977
- Lawsuits and court orders
- Federal grant requirements
- The District of Columbia Financial Responsibility and Management Assistance Authority Act
- The National Capital Revitalization and Self Government Improvement Act of 1997

Similarly, our report on internal controls noted continued material weaknesses in controls over financial reporting in the following areas:

- Electronic data processing
- Business and individual tax information system processing
- Bank reconciliation controls
- Controls over transactions involving the Authority
- Lack of timely entries into FMS
- DC Lottery and Charitable Games Control Board financial management
- Monitoring of Department of Housing and Community Development loan activity
- Other reconciliation and management items

Our findings regarding the above areas are detailed in our separate reports on compliance with laws and regulations and internal controls. However, there are two areas of the District's operations that require special emphasis and priority focus – the Office of Tax and Revenue and the Office of Contracting and Procurement.

The Office of Tax and Revenue's accounting records and procedures have serious deficiencies. Various initiatives were undertaken by the Office of Tax and Revenue to strengthen internal controls and administrative procedures, however, significant shortcomings remain. In addition, while the District has implemented efforts to centralize and more effectively manage its procurement activities, it has failed to correct the previously reported areas of significant noncompliance. As a result, the District is potentially exposed to noncompliance with applicable laws, regulations and policies, and to internal control weaknesses regarding the timely detection of errors.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information in the accompanying schedules identified as Exhibits A-1 through G-6 in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District of Columbia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory section and the statistical section of the report and, accordingly, express no opinion thereon.

Mitchell & Titus, LLP

January 29, 1999
Washington, DC

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Exhibit 1

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED BALANCE SHEET

September 30, 1998
($000s)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		
	General	Special Revenue Financial Responsibility Authority	Capital Projects	Enterprise	Trust and Agency (Note 6)	General Fixed Assets	General Long Term Liabilities	Component Units (Note 7)
ASSETS AND OTHER DEBITS								
Current Assets:								
Cash and investments (note 2)	$ 454,464	933	88,820	13,925	2,085,625	-	-	1,093,233
Receivables (net of allowances for uncollectibles):								
Taxes	194,944	-	-	-	11,109	-	-	-
Accounts	53,222	-	1,510	1,643	6,173	-	-	162,366
Intergovernmental	393,321	-	18,043	-	7	-	-	18,496
Intragovernmental (note 3)	14,437	-	-	-	-	-	-	55,408
Interfund (note 3)	28,649	-	296,916	-	74,160	-	-	-
Inventories	55,432	-	-	455	-	-	-	14,818
Other current assets	8,427	-	-	5	7,555	-	-	78,151
Total current assets	1,202,896	933	405,289	16,028	2,184,629	-	-	1,422,472
Long Term Assets:								
Receivables (net of allowances for uncollectibles):								
Loans	21,023	-	-	-	-	-	-	222,800
Intergovernmental	-	-	-	-	-	-	-	21,177
Interfund	-	914	-	-	-	-	-	-
Deferred charges	-	-	-	-	-	-	-	47,762
Other long term assets	-	-	-	93,103	-	-	-	-
Total long term assets	21,023	914	-	93,103	-	-	-	291,739
Fixed Assets (Note 4):								
Property and equipment	-	-	-	3,048	-	5,788,311	-	2,115,236
Less-accumulated depreciation	-	-	-	2,521	-	2,493,409	-	729,429
Net fixed assets	-	-	-	527	-	3,294,902	-	1,385,807
Other Debits:								
Resources to be provided	-	-	-	-	-	-	3,631,660	-
Total assets and other debits	$ 1,223,919	1,847	405,289	109,658	2,184,629	3,294,902	3,631,660	3,100,018

The accompanying notes are an integral part of this statement.

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		
	General	Special Revenue Financial Responsibility Authority	Capital Projects	Enterprise	Trust and Agency (Note 6)	General Fixed Assets	General Long Term Liabilities	Component Units (Note 7)
LIABILITIES, EQUITY AND OTHER CREDITS								
Current Liabilities:								
Payables:								
Accounts	$ 325,985	-	78,351	2,869	160,878	-	-	43,446
Compensation	133,164	348	-	586	-	-	-	29,848
Intergovernmental	-	-	-	-	-	-	-	-
Intragovernmental (note 3)	49,762	-	-	-	5,646	-	-	44,082
Interfund (note 3)	13,195	-	-	-	387,444	-	-	-
Accrued liabilities	282,887	-	-	9,775	-	-	-	57,250
Deferred revenue	288,022	19	102,948	131	-	-	-	61,457
Current maturities (note 5)	-	-	-	-	-	-	-	14,052
Short term debt - intergovernmental	-	-	-	-	-	-	-	-
Other current liabilities	18,412	510	-	42	57,363	-	-	2,754
Total current liabilities	1,111,427	877	181,299	13,403	611,331	-	-	252,889
Long Term Liabilities (Note 5):								
Long term debt:								
Intergovernmental notes payable	-	-	-	-	-	-	-	9,643
General obligation bonds payable	-	-	-	-	-	-	3,091,403	100,361
Loans payable	-	-	-	-	-	-	-	1,360,842
Other long term liabilities	-	-	-	93,103	-	-	540,257	350,977
Total long term liabilities	-	-	-	93,103	-	-	3,631,660	1,821,823
Total liabilities	**1,111,427**	**877**	**181,299**	**106,506**	**611,331**	**-**	**3,631,660**	**2,074,712**
Equity and other credits:								
Other credits:								
Resources invested (note 4)	-	-	-	-	-	3,294,902	-	-
Contributed capital (note 4)	-	-	-	-	-	-	-	704,825
Retained earnings	-	-	-	3,152	-	-	-	320,481
Fund balances:								
Reserved for:								
Long term assets	33,403	-	-	-	-	-	-	-
Encumbrances	-	-	178,622	-	-	-	-	-
Net restricted assets	-	-	43,160	-	1,573,298	-	-	-
Unreserved (deficit)	79,089	970	2,208	-	-	-	-	-
Total equity and other credits	**112,492**	**970**	**223,990**	**3,152**	**1,573,298**	**3,294,902**	**-**	**1,025,306**
Total liabilities, equity and other credits	**$ 1,223,919**	**1,847**	**405,289**	**109,658**	**2,184,629**	**3,294,902**	**3,631,660**	**3,100,018**

EXHIBIT 2

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended September 30, 1998
($000s)

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue Financial Responsibility Authority	Capital Projects	Expendable Trust
Revenues:				
Taxes	$ 2,815,900	-	-	90,617
Licenses and permits	48,123	-	-	-
Fines and forfeits	53,177	-	-	-
Charges for services	80,128	4,658	-	-
Benefit contributions	-	-		13,181
Miscellaneous	180,604	170	3,011	10,069
Intergovernmental (note 8)	1,231,163	-	110,891	-
Total revenues	4,409,095	4,828	113,902	113,867
Expenditures:				
Current:				
Governmental direction and support	168,292	14,371	-	-
Economic development and regulation	181,839	-	-	-
Public safety and justice	550,876	-	-	-
Public education system	670,205	-	-	-
Human support services	1,728,752	-	-	76,995
Public works	262,145	-	-	-
Employee benefits addition (deduction)	(142,224)	-	-	-
Capital outlay	-	-	264,533	-
Debt service:				
Principal	219,435	-	-	-
Interest and fiscal charges	180,427	-	-	-
Total expenditures	3,819,747	14,371	264,533	76,995
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	589,348	(9,543)	(150,631)	36,872
Other Financing Sources (Uses):				
Proceeds (payments) of:				
General obligation bonds	476,972	-	206,135	-
Payment to refunded bond escrow agent:				
Refunded debt	(431,758)	-	-	-
Refunding charges	(34,765)	-	-	-
Sale of fixed assets	197	-	-	-
Transfers:				
Interfund transfers in	81,300	9,543	29,257	-
Interfund transfers out	(103,568)	-	-	-
Intragovernmental transfers out	(132,877)	-	-	-
Total other financing sources (uses)	(144,499)	9,543	235,392	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	**444,849**	-	**84,761**	**36,872**
Fund Balances (Deficit) at October 1	(332,357)	970	139,229	146,839
Fund Balances (Deficit) at September 30	$ 112,492	970	223,990	183,711

The accompanying notes are an integral part of this statement.

Exhibit 3

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS

Year Ended September 30, 1998
($000s)

	Budget				Variance - Favorable
	Original	Revisions	Revised	Actual	(Unfavorable)
Revenues and Sources:					
Taxes:					
Property taxes	$ 642,700	5,500	648,200	616,935	(31,265)
Sales and use taxes	542,900	8,000	550,900	618,500	67,600
Income taxes	678,000	20,000	698,000	861,505	163,505
Other taxes	530,300	17,400	547,700	676,621	128,921
Total taxes	2,393,900	50,900	2,444,800	2,773,561	328,761
Licenses and permits	50,100	-	50,100	48,123	(1,977)
Fines and forfeits	41,700	-	41,700	53,177	11,477
Charges for services	41,673	1,800	43,473	34,752	(8,721)
Miscellaneous	169,801	16,197	185,998	216,090	30,092
Intergovernmental	1,270,455	25,953	1,296,408	1,209,510	(86,898)
General obligation bonds	-	-	-	-	-
Transfers	74,200	5,200	79,400	81,300	1,900
Revenue initiatives	18,900	(18,900)	-	-	-
Total revenues and sources	4,060,729	81,150	4,141,879	4,416,513	274,634
Expenditures and Uses:					
Governmental direction and support	105,177	56,644	161,821	153,828	7,993
Economic development and regulation	120,072	1,854	121,926	110,581	11,345
Public safety and justice	529,739	44,666	574,405	564,269	10,136
Public education system	672,444	79,768	752,212	734,569	17,643
Human support services	1,718,939	38,674	1,757,613	1,665,119	92,494
Public works	241,934	13,925	255,859	249,142	6,717
Washington Convention Center Payment	5,400	-	5,400	5,400	-
Repay bonds and interest	384,430	(11,428)	373,002	347,358	25,644
Repay deficit bonds and interest	39,020	-	39,020	38,309	711
Interest on short term borrowing	12,000	6,687	18,687	18,686	1
Inaugural services	-	-	-	-	-
Certificates of participation	7,923	-	7,923	7,926	(3)
Human resources development	6,000	-	6,000	3,457	2,543
Financial Responsibility Authority	3,220	-	3,220	3,220	-
Total expenditures and uses	3,846,298	230,790	4,077,088	3,901,864	175,224
Subtotal	214,431	(149,640)	64,791	514,649	449,858
PL 105-100 Deficit Reduction and Revitalization (Addition) Deduction (note 1.E)	(201,090)	170,904	(30,186)	-	30,186
EXCESS (DEFICIENCY) OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	**$ 13,341**	**21,264**	**34,605**	**514,649**	**480,044**
Reconcile Budgetary to GAAP Basis:					
Financial Responsibility Authority				(4,915)	
Indigent Legal Adjustment				14,982	
Convention Center taxes				(41,713)	
Accrued interest				2,390	
Medicaid accrual, net of revenue				28,257	
Long term receivable reserve				(12,379)	
Grant disallowance accrual				(43,525)	
Claims and judgments accrual				(14,286)	
Inventory (increase) decrease				1,138	
Other accruals, net				251	
EXCESS (DEFICIENCY) OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES (GAAP BASIS)				**$ 444,849**	

The accompanying notes are an integral part of this statement.

Exhibit 4

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES

Year Ended September 30, 1998
($000s)

	Proprietary Fund Types Enterprise	Component Units (Note 7)
Operating Revenues:		
Charges for services	$ 226,429	417,480
Miscellaneous	-	29,611
Subtotal	226,429	447,091
Deductions from charges for services	122,660	-
Total operating revenues	103,769	447,091
Operating Expenses:		
Personal services	4,531	214,195
Contractual services	18,100	85,684
Supplies	76	31,883
Occupancy	2,006	35,674
Depreciation	321	41,952
Miscellaneous	1,114	78,346
Total operating expenses	26,148	487,734
OPERATING INCOME (LOSS)	77,621	(40,643)
Nonoperating Revenues (Expenses):		
Intergovernmental (note 9)	-	33,733
Interest revenue	3,709	44,273
Interest and fiscal charges	-	(52,073)
Miscellaneous	71	9,084
Total nonoperating revenues (expenses)	3,780	35,017
INCOME (LOSS) BEFORE TRANSFERS	81,401	(5,626)
Transfers:		
Interfund transfers out	(81,300)	-
Intragovernmental transfers in	-	131,377
Total transfers in (out)	(81,300)	131,377
NET INCOME	**101**	**125,751**
Depreciation closed to Contributed Capital	-	10,058
INCREASE IN RETAINED EARNINGS/FUND BALANCES	**101**	**135,809**
Retained Earnings/Fund Balances at October 1 (restated) (note 1.O)	**3,051**	**184,672**
Retained Earnings/Fund Balances at September 30	$ **3,152**	**320,481**

The accompanying notes are an integral part of this statement.

EXHIBIT 5

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED STATEMENT OF CASH FLOWS

Year Ended September 30, 1998
($000s)

	Proprietary Fund Types: Enterprise Funds	Component Units
Operating Activities:		
Cash receipts from customers	$ 227,000	371,445
Cash receipts from loans and interest	-	28,566
Other cash receipts	71	33,543
Cash payments to vendors	(26,846)	(300,986)
Cash payments to employees	(4,387)	(207,202)
Other cash payments, including prizes	(119,610)	-
Net cash provided (used)	76,228	(74,634)
Capital and Related Financing Activities:		
Acquisitions of fixed assets	(60)	(83,710)
Proceeds of long term bonds	-	805,330
Payments of long term debt	-	(159,201)
Payments of interest and charges	-	(53,619)
Contributions of capital	-	3,126
Net cash provided (used)	(60)	511,926
Noncapital Financing Activities:		
Operating grant receipts	-	33,577
Interfund transfers out	(81,300)	-
Intragovernmental transfers in	-	131,377
Proceeds of loans payable	-	106,795
Payments of loans payable	-	(195,958)
Payments of interest and charges	-	(30,578)
Other long term payments	-	8,011
Payments to other funds	-	(31,513)
Net cash provided (used)	(81,300)	21,711
Investing Activities:		
Receipts of interest and dividends	3,709	44,273
Net cash provided	3,709	44,273
INCREASE IN CASH	**(1,423)**	**503,276**
Cash and Investments at October 1	**15,348**	**589,957**
Cash and Investments at September 30	$ **13,925**	**1,093,233**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$ 77,621	(40,643)
Depreciation	321	41,952
Miscellaneous nonoperating revenues	71	9,084
Loss on disposition of fixed assets	-	249
Decrease (increase) in assets:		
Receivables	715	(10,670)
Allowances for uncollectibles	(110)	(11,920)
Inventories	(290)	4,833
Other current assets	161	(75,698)
Loans receivable	-	(2,457)
Increase (decrease) in liabilities:		
Payables	(4,371)	(4,172)
Accrued liabilities	3,050	20,486
Deferred revenue	(34)	11,050
Other current liabilities	(906)	(16,728)
Net cash provided (used)	$ 76,228	(74,634)
Noncash contributions of capital	$ -	3,711

The accompanying notes are an integral part of this statement.

Exhibit 6

PENSION TRUST FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 1998
($000s)

	Fiduciary Fund Type Pension Trust
Additions:	
Benefit contributions:	
Interfund	$ 57,400
Employees	35,338
Miscellaneous - intergovernmental interest	-
Investing:	
Investment income	50,865
Net depreciation in fair value of investments	(23,562)
Less - investment expenses	7,339
Total additions	112,702
Deductions:	
Personal services	604
Contractual services	1,070
Supplies	8
Occupancy	269
Benefit payments:	
Benefits	600
Contribution refunds	554
Miscellaneous	24
Total deductions	3,129
NET INCREASE	**109,573**
Net assets held in trust for pension benefits:	
October 1	**1,280,014**
September 30	**$ 1,389,587**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

(amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Article I, section 8, clause 17 of the United States Constitution adopted September 17, 1787 states, "The Congress shall have the power...to exercise exclusive legislation in all cases whatsoever, over such district (not exceeding ten miles square) as may, by cession of particular states, and the acceptance of Congress, become the seat of the government of the United States..." The District of Columbia (District) was created March 30, 1791 and became the nation's capital December 1, 1800. Congress granted the District a Charter which went into effect on January 2, 1975 (the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198, approved December 24, 1973). The District is a municipal corporation which operates under an elected Mayor-Council form of government. An act of the Council, other than a budget request act, becomes a law unless it is disapproved by Congress and the President after it is adopted. Citizens of the District have the right to vote for President and Vice President of the United States but not for members of Congress. The District has an elected nonvoting delegate to the United States House of Representatives. The judges of the District courts are appointed by the President with the advice and consent of the Senate. Felonies committed in the District are prosecuted by the United States Attorney and court orders are carried out by the United States Marshall.

The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) was created April 17, 1995 by Public Law 104-8. The five members of the Financial Responsibility Authority are appointed by the President. The Financial Responsibility Authority has broad powers during a control year to review and approve the budget, legislation, contracts (including collective bargaining agreements) and borrowing of the District; and to borrow funds on behalf of the District. A control year is a fiscal year which commences during a control period. A control period commences upon the occurrence of a borrowing from the US Treasury pursuant to DC Code 47-3401; a cash deficit estimated to last beyond the current fiscal year or the first half of the subsequent fiscal year; or failure to pay debt service, payroll, employee benefits, or interstate compact payments. A control period ends when the Financial Responsibility Authority determines, after consultation with the District Inspector General, that the District has adequate and reasonable access to short term and long term credit markets, and that for four consecutive fiscal years the District has not operated at a deficit. The Financial Responsibility Authority suspends all activities upon the later of (1) 12 months after all borrowings by the Financial Responsibility Authority for the use of the District, and by the District from the US Treasury pursuant to DC Code 47-3401 have been discharged, or (2) the expiration of the control year in which a control period ends and in which (1) above occurs. Between the end of a control year and suspension of activities, the Financial Responsibility Authority reviews and comments upon the budget, monitors financial status, and satisfies its responsibilities for debt it issued.

A. CONTROL PERIOD

The District entered a control period and the Financial Responsibility Authority was activated on April 17, 1995, by Public Law 104-8 Sec. 210(c). Fiscal year 1998 was a control year. Special conditions of a control period and year are described below and in the Basis of Budgeting section.

All acts passed by the Council in a control year, along with a fiscal impact statement, must be submitted to the Financial Responsibility Authority. It has seven business days after submission within which to review such legislation, a period which can be extended for an additional seven business days . The Financial Responsibility Authority may disapprove a Council act if it determines that the Council act is significantly inconsistent with the financial plan and budget. The District may not borrow funds during a control year without the prior consent of the Financial Responsibility Authority. The proceeds of the annual federal payment, borrowings by the District, and borrowings by the Financial Responsibility Authority for the use of the District are deposited into escrow accounts held by the Financial Responsibility Authority and allocated to the District in such amounts and at such times as the Financial Responsibility Authority considers to be consistent with the financial plan and budget. The Financial Responsibility Authority has not borrowed any funds as of September 30, 1998.

The Financial Responsibility Authority may at any time submit recommendations to the District, President or Congress to ensure compliance with a financial plan and budget or otherwise promote the financial stability, management responsibility, and service delivery efficiency of the District. If the District determines not to adopt a recommendation that is within the power of the District, the Financial Responsibility Authority may "take such action concerning the recommendation as it deems appropriate, after consulting with the Committee on Governmental Reform and Oversight of the House of Representatives and the Committee on Governmental Affairs of the Senate" (Public Law 104-8 Sec. 207(c)(1)).

In addition, the Financial Responsibility Authority may at any time issue such orders, rules or regulations as it considers appropriate to carry out the purposes of Public Law 104-8 and the amendments made thereby, to the extent that the issuance of such an order, rule, or regulation is within the authority of the Mayor or the head of any department or agency of the District government. Any such order, rule or regulation is legally binding to the same extent as if issued by the Mayor or the head of any such department or agency, and the Financial Responsibility Authority's decision to issue such an order, rule or regulation is final and not subject to judicial review (Public Law 104-8 Sec. 204(d)).

B. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. The primary government is the District, which consists of all the organizations that make up its legal entity. The lottery, unemployment compensation and retirement programs are not legally separate organizations and their financial data are included with the financial data of the primary government. In accordance with the amendment of Section 457 of the Internal Revenue Code, as well as the requirements of Statement Number 32 of the Governmental Accounting Standards Board (GASB), the District has amended its deferred compensation plan and no longer retains a fiduciary responsibility for the plan. Consequently, the plan is no longer reported in the financial data of the primary government.

Component units are legally separate organizations for which the elected officials of the District are financially accountable. The Financial Responsibility Authority is an entity of the District government with a Federally appointed board and was created to provide temporary fiscal assistance to alleviate the District's fiscal distress. The District is not financially accountable for and exercises no control over the Financial Responsibility Authority. Generally accepted accounting principles (GAAP) require the presentation of the Financial Responsibility Authority as a blended component unit of the primary government because it was created primarily to alleviate the fiscal distress of the General Fund. The public benefit corporation, water and sewer utility, convention center, sports commission, housing finance and university are discretely presented component units, are reported separately from the primary government, and are proprietary fund types. Accountability exists because the governing bodies of all the component units, except for the public benefit corporation and water and sewer, are appointed by the Mayor with the advice and consent of the Council. Accountability exists for the public benefit corporation and water and sewer because a majority of the board is appointed by the Mayor with the consent of the Council, and only those board members may vote on retail water and sewer rates. In addition, the District has an obligation to provide financial support to the public benefit corporation, housing finance and university. The District must approve certain financial transactions of the convention center and sports commission, and certain tax revenues are dedicated to these organizations. Condensed financial statements for each of the discretely presented component units and sources of complete financial statements are presented in Note 7.

The District of Columbia Housing Authority is a legally separate organization that provides and maintains quality public housing in the District. Accountability exists because the housing authority is governed by seven commissioners appointed by the Mayor with the consent of the Council. However, financial accountability does not exist because the District does not impose its will on, or have a financial benefit or burden relationship with, the housing authority. The housing authority was placed into a three year receivership for deficiencies in performing its mission by a May 19, 1995 order of the Superior Court of the District of Columbia. A June 23, 1998 order of the Superior Court of the District of Columbia further extended the receivership through May 18, 2000. Transactions between the housing authority and the District are presented in Note 7.

The Washington Metropolitan Area Transit Authority is a tax exempt joint venture created in 1967 by compact among Maryland, Virginia and the District. The transit authority is responsible for the construction, financing and operation of mass transit facilities in the counties of Montgomery and Prince George's in Maryland, the counties of Arlington and Fairfax and the cities of Alexandria, Fairfax and Falls Church in Virginia, and the District. The transit authority is a public corporation which is governed by a board consisting of six directors, two each representing Maryland, Virginia and the District. The District's directors are appointed by the Council. The transit authority does not have any stockholders, has no taxing power and is not subject to regulatory approval of its fare schedules. The participants are required to provide a stable and reliable source of revenues to finance their ongoing financial responsibility to the transit authority (DC Code 1-2465). The revenues allocated by the District to the transit authority are motor vehicle registration fees; traffic fines; motor vehicle excise taxes; parking meter fees; sales taxes on parking lots, hotel rooms, rental vehicles, restaurant food and drinks; motor fuel taxes; and Federal grants for operating expenses of the transit authority. Transactions between the transit authority and the District are presented in Note 7.

C. BASIS OF PRESENTATION

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in governmental funds because they are not current financial resources and liabilities.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all of the District's general activities. The General Fund is used to account for all activities of the general government not accounted for in some other fund, including the collection and disbursement of earmarked moneys and the servicing of general long term debt. The special revenue fund is used to account for the operations of the Financial Responsibility Authority. The Capital Projects Fund is used to account for the purchase or construction of fixed assets financed by operating transfers, capital grants or general long term debt.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The enterprise fund is used to report the operations of the Lottery and Games Fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a pension trust fund or an expendable trust fund is used. The term "expendable" refers to the fact that the District is not under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent, including amounts held in escrow by the Financial Responsibility Authority for the benefit of the District.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, pension trust funds and discretely presented component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) of proprietary fund types is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (revenues) and decreases (expenses) in net total assets. Operating statements of pension trust funds present additions and deductions in plan net assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered as available if they are collected within 60 days after year end. A one year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal on general long term debt is recorded as a fund liability when due. Current interest on general long term debt is recorded as a fund liability when the amount has been incurred through the passage of time.

Those revenues susceptible to accrual are property taxes, sales and use taxes, income and franchise taxes, gross receipts taxes, interest and grants and other reimbursable revenues. Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available. Sales and use taxes are recognized as revenue when the sales or use take place. Income taxes are recognized as revenue when the income is earned by the taxpayer, less an accrual for probable refunds. Franchise and gross receipts taxes are recognized as revenue when the related income is earned by the taxpayer. Interest is recognized as revenue through the passage of time. Licenses and permits, fines and forfeits, charges for services, and other taxes generally are not susceptible to accrual because they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The pension trust funds recognize revenues from participants in the period in which contributions are due, revenues from District contributions when due and a formal commitment has been made, and expenditures for benefits and refunds when due and payable. Proprietary activities do not apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The District reports deferred revenue in the accompanying balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant moneys are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Real property taxes are levied as of October 1 on property values assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. On these dates, the bill becomes delinquent and penalties and interest may be assessed by the District. Real property taxes attach as an enforceable lien on property as of October 1 of the year after levy.

E. BASIS OF BUDGETING

The following explains the budgeting process that takes place during a control period. By February 1 the Mayor submits a budget for the next fiscal year, a project-length financial plan for the Capital Projects Fund, and a financial plan for the following three years to the Financial Responsibility Authority for its approval. The Financial Responsibility Authority has a 30 day period to disapprove. If disapproved, the Mayor has 15 days to submit a revised financial plan and budget to the Financial Responsibility Authority for a 15 day period to disapprove. The Mayor submits the approved financial plan and budget, or, if disapproved, the Mayor submits the revised financial plan and budget and the Financial Responsibility Authority submits a recommended financial plan and budget to Council for a 30 day review period. The Council financial plan and budget act is submitted to the Financial Responsibility Authority for a 15 day period to disapprove. If disapproved, the Council has 15 days to submit a revised financial plan and budget act to the Financial Responsibility Authority for a 15 day period to disapprove. The Mayor submits by June 15 the approved financial plan and budget request act, or, if disapproved, the Mayor submits the revised financial plan and budget request act and the Financial Responsibility Authority submits a recommended financial plan and budget to the President of the United States for review, submission to Congress and enactment.

The legally adopted budget is the annual appropriation public law (appropriation act) enacted by Congress and signed by the President. The appropriation act authorizes expenditures at the function level. A revision that alters the total expenditures of any function must be enacted by Congress unless otherwise authorized by an act of Congress.

The District may request a revision to the appropriated expenditure amounts in the appropriation act by submitting to the President and Congress a request for a supplemental appropriation act. During a control period, the Mayor may submit proposed revisions to the financial plan and budget during the year by following the same procedures as for the initial budget submission, except that the initial review period by the Financial Responsibility Authority is 20 days instead of 30 and that a revision that does not increase the amount of spending with respect to any function is effective unless disapproved by the Financial Responsibility Authority or Congress. In 1998 the District did not submit a supplemental budget request act.

The District may reallocate budget amounts within functions in accordance with District policies contained in the Reprogramming Policy Act (DC Code 47-361). The appropriated budget amounts in the budgetary statement (Exhibit 3) include all approved reallocations. Appropriated actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown on the budgetary statement. An unfavorable variance in the budgetary statement for a function of expenditure or use is a violation of the Anti-Deficiency Act (31 U.S.C. 1341).

Pursuant to relevant legislation (Public Laws 104-8 and 105-100) the Financial Responsibility Authority has authorized and enacted certain revisions to the original budget as reflected in Exhibit 3, General Fund - Statement of Revenues, Expenditures and Reconciliation of Budgetary Basis with GAAP Basis.

The appropriation act specifies expenditures and net surplus or deficit of revenues. The appropriation act does not specify revenue amounts. Rather, the legally adopted revenue budget is based on the revenue estimates submitted to the President and Congress as modified by the legislative history. The budgetary schedule (Exhibit 3) shows Revenues and Sources as presented in the Committee Reports (House 105-298 and Senate 105-75), Expenditures and Uses as contained in the appropriation act (PL 105-100). $201,090 of the excess of budgeted revenues over budgeted expenses was earmarked by Congress for deficit reduction and revitalization, to be used only for the reduction of the accumulated general fund deficit, capital expenditures, and management and productivity improvements.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), certain pension and other employee benefits, and other expenditures on a cash basis, and budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Office of Cable Television, the Public Service Commission, the Office of the People's Counsel, Insurance and Securities, Banking, and Correctional Industries. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received. All annual appropriations lapse at year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Purchase orders and contracts are recorded to reserve that portion of the applicable appropriation in the governmental funds. Encumbrances generally lapse at year end in the General Fund but not in the special revenue fund or the Capital Projects Fund. Encumbrances outstanding at year end in the special revenue fund and the Capital Projects Fund do not constitute expenditures or liabilities because the commitments will be honored during a subsequent year. The fund balance is "reserved for encumbrances" to indicate the portion that is available for expenditure upon vendor performance.

F. CASH AND INVESTMENTS

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. The cash management pool is considered to be cash because it is used as a demand deposit account by each fund. When one fund overdraws its share of the pooled cash, that fund reports a liability to the General Fund which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable from the overdrawn fund.

Any cash which is not needed for immediate disbursement is used to purchase investments. The law (DC Law 12-56, "Financial Institutions Deposit and Investment Amendment Act of 1997") repealed the previous law (DC Code 47-341) effective March 18, 1998, and provides the District much more flexibility in its investment choices. However, through September 30, 1998, the District has continued to only invest directly or through repurchase agreements in obligations of the United States or its agencies which are backed by the full faith and credit of the Federal government. Such investments are considered to be the equivalents of cash because they are readily convertible into cash and may be held for not more than 91 days after purchase. The Pension Trust Funds is authorized to invest in fixed income, equity securities and other types of investments.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets and as related liabilities for collateral received.

G. RECEIVABLES AND PAYABLES

Taxes receivable are taxes levied by the District and interest and penalties on delinquent taxes which have not been collected, canceled or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable/payable are amounts owed by/to customers or vendors for goods and services sold or purchased. Intergovernmental receivables/payables are amounts owed by/to other governments, except for goods and services. Intragovernmental receivables/payables or transfers in/out are amounts owed or conveyed between the primary government and its discretely presented component units. Interfund receivables/payables or transfers in/out are amounts owed or conveyed between funds in the primary government. Amounts due within one year are classified as current receivables/payables in the balance sheet. Amounts due after one year are classified as long term receivables/payables. The fund balance is "reserved for long term assets" to indicate the portion that is not available for expenditure within one year.

H. INVENTORIES

Inventories of supplies on hand at year end are stated at cost (generally using the weighted average method). Supplies are recorded as inventory when purchased and as expenditures/expenses when they are consumed or sold. Inventories of food stamps and corresponding deferred revenue are stated at face value.

I. PREPAID AND DEFERRED CHARGES

Payments in advance of the receipt of services are capitalized as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related services are received.

In governmental fund types, bond discounts (premiums) and issuance costs are recognized in the current period as interest and fiscal charges, respectively. In proprietary fund types, bond discounts (premiums) and issuance costs are capitalized as deferred charges and amortized as fiscal charges over the term of the bonds.

Refunding charges include bond discounts (premiums), issuance costs and payments to escrow agents, less payments to escrow agents made from resources other than proceeds of refunding bonds, and less the face amounts of the refunded bonds. In governmental fund types, refunding charges are recognized in the period of refunding.

J. FIXED ASSETS

General fixed assets are not capitalized in the governmental fund types. Instead, capital outlays are reflected as expenditures in those funds and the related assets are reported in the General Fixed Assets Account Group. Proprietary fixed assets are capitalized in the funds which utilize the assets. All purchased fixed assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated fixed assets are stated at their estimated fair market value on the date received. The costs of maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Betterments are capitalized and depreciated over the remaining useful lives of the related fixed assets. Public domain (infrastructure) improvements, such as bridges, curbs, gutters, lights, sidewalks, streets, and similar assets, that are immovable and of value only to the District, are capitalized as improvements.

Depreciation of general fixed assets is accumulated in the General Fixed Assets Account Group and no expenditure is reported for this amount in the governmental fund types. Depreciation of proprietary fixed assets is reported as an operating expense in the funds which utilize the assets. Depreciation on proprietary fixed assets acquired through capital grants is closed to Contributed Capital and reported in the operating statements as an adjustment to net income (loss).

Depreciation is computed using the straight line method over the following estimated useful lives of the fixed assets.

Improvements	30	years
Utility plant	60	years
Building	30-50	years
Equipment	3-15	years
Transit system investment	33	years

Interest is capitalized in proprietary fund types on assets constructed with long term debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

K. RESTRICTED ASSETS AND LIABILITIES

All assets of fiduciary funds are restricted as to use by legal or contractual requirements. The Capital Projects Fund includes certain assets and liabilities arising from dedicated taxes that are legally restricted for certain highway projects. Any excess of restricted assets over liabilities payable from restricted assets is reported as "reserved for net restricted assets" to indicate the portion of the fund balance that is available for the restrictive purposes only.

L. COMPENSATED ABSENCES

Accumulated annual (vacation) leave of governmental funds that is expected to be used by the end of the current calendar year is reported as an expenditure and liability of the General Fund. Accumulated annual leave that is expected not to be used by the end of the current calendar year is reported in the General Long Term Liabilities Account Group. Accumulated annual leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unused sick leave is credited at the rate of 22 days equal one month of service at the time of retirement and is added to years of service in the Civil Service Retirement System and in the District Retirement Program.

Accumulated compensatory leave in lieu of paid overtime is reported in the General Long Term Liabilities Account Group for governmental funds or in the individual fund for proprietary funds.

M. LONG TERM LIABILITIES

Long term debt payable by the General Fund is recognized as a fund liability when due. Other general long term liabilities are reported as liabilities of the General Fund when incurred, with four exceptions. Disability compensation, compensated absence, employee separation incentive, and accreted interest liabilities that have been incurred but not financed are reported in the General Long Term Liabilities Account Group and no expenditures for these amounts are reported in the General Fund. Long term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term general obligation debt to exceed 17% of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The debt service percent limitation was increased from 14 to 17 percent in fiscal year 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997, accounting for the decrease in revenues from the repeal of the Federal payment in lieu of taxes and the loss of court revenues.

Capital appreciation bonds are issued with a stated interest rate of zero percent. The interest is not paid until the bonds mature. To provide full disclosure, the interest is accreted over the lives of the bonds in the General Long Term Liabilities Account Group.

The District entered into interest rate swap agreements to modify interest rates on outstanding variable rate general obligation bonds. Other than the net interest expenditures resulting from these agreements and bonds, no amounts are recorded in the financial statements.

The District has issued private activity bonds whose principal and interest are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. As of September 30, 1998, the bonds had an outstanding aggregate principal amount of $1,820,392 and are not recorded as a liability of the District.

Each intergovernmental note issued to the Federal government contains a call provision which grants the District the right to redeem the note before its scheduled maturity date without a premium. Each general obligation bond issued to the public contains a defeasance provision which allows the District to legally satisfy the debt and obtain a release without retiring the bond.

N. SHORT TERM DEBT

During the year, the District issued $400,000 of general obligation tax revenue anticipation notes. The stated interest rate, net interest cost, and payment dates for principal and interest were as follows for each note:

Issue Amount	Interest Rate	Net Interest Cost	Payment Date
$100,000	3.70%	4.22%	05/29/98
$250,000	4.50%	4.33%	09/30/98
$ 50,000	5.00%	4.62%	09/30/98

During the year, the District paid $223,100 of short term notes issued to the Federal government in 1997 with interest rates from 5.56% to 5.73%.

During the year, the District paid $74,000 of general obligation notes that were issued in 1997 with a stated interest rate of 3.98% through September 30, 1997, and a variable rate (not to exceed 12.00%) thereafter until redeemed in 1998.

O. ACCOUNTING CHANGES AND RESTATEMENTS

In 1998, the District adopted Governmental Accounting Standards Board Statement No. 27, Accounting for Pensions by State and Local Government Employers, which changed certain reporting and disclosure requirements.

In 1998, the District adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The provisions of this Statement require that certain investments be reported at fair value (or at amortized cost for certain investments maturing in one year or less at the time of purchase) and that changes in the fair value or amortized cost be reported as revenue. As a result, the beginning fund balances at October 1, 1997, have been restated as follows:

	Original Fund / Equity Balance	Increase (Decrease)	Restated Fund / Equity Balance
General	$ (332,357)	0	(332,357)
Special Revenue	970	0	970
Capital Projects	139,229	0	139,229
Enterprise	3,051	0	3,051
Trust and Agency	5,197,404	0	5,197,404
Component Units	886,826	3,369	890,195

In 1998, the District adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which changed certain accounting and disclosure requirements. The 1998 impact was an amendment to the plan, removal of the District's fiduciary responsibility for the plan and consequently, the removal of the Plan's financial data from the financial data of the primary government.

Other prior year amounts have been restated for comparability with current year changes.

P. TAXPAYER AND REVITALIZATION ACTS

The Taxpayer Relief Act of 1997 (PL 105-34) (the Relief Act) provides Federal tax and other incentives to stimulate economic development in the District. The Relief Act established the District of Columbia Enterprise Zone (Enterprise Zone) from January 1, 1998 through December 31, 2002. The Enterprise Zone consists of the existing enterprise community plus all other census tracts for which the poverty rate is at least 20%. The Relief Act increases the limitation on tax-exempt economic development bonds to $15,000 and eliminates the Federal capital gains tax through December 31, 2007, on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%. The Relief Act provides a maximum $5 thousand Federal income tax credit through December 31, 2000 for qualified first time home buyers.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (PL 105-33) (Revitalization Act) made significant changes effective October 1, 1997 to the Charter of the District with the objectives of revitalizing the District as the Nation's Capital and improving the prospects for home rule to succeed. The changes impact the functions, management and financial condition of the District.

Public Safety

The Revitalization Act transferred certain public safety functions from the District to the Federal government.

The Federal Bureau of Prisons will be responsible for sentenced adult felons. By October 1, 2001, felons sentenced consistent with Federal Truth-in-Sentencing guidelines will be transferred to a facility operated or contracted by the Bureau of Prisons. By December 31, 2001, the District's Lorton Correctional Complex in Virginia will be closed and the property returned to the Federal government. During this transition period, the Department of Corrections is overseen by a Corrections Trustee appointed by the US Attorney General in consultation with the Mayor, Council, Financial Responsibility Authority, and representatives of the DC judiciary. The expenditures of the Corrections Trustee are provided by a direct appropriation to the trustee of Federal dollars. The District will continue to provide correctional treatment for juvenile and misdemeanor offenders.

The operations of the Superior Court, Appeals Court and Court System have been transferred to the Federal government and are included in the Federal budget of the Joint Committee on Judicial Administration in the District of Columbia.

The Federal government assumed financial responsibility for the DC Parole Board, Pretrial Services Agency and Public Defender Service functions. During 1998, the United States Parole Commission assumed responsibility to grant, deny, or impose conditions on parole for imprisoned felons. By September 30, 2000, a new Federal agency, the DC Offender Supervision, Defender and Courts Services Agency, will supervise offenders on probation, parole, and supervised release. Upon establishment of this agency, the DC Parole Board will be abolished. The Pretrial Services Agency and the Public Defender Service will function as independent entities within the new agency. During the transition, these functions are supervised by an Offender Supervision Trustee, whose expenditures are provided by a direct appropriation to the trustee of Federal dollars.

Financial Reforms

The Revitalization Act makes several changes that impact the overall financial condition of the District, affecting both revenues and expenditures.

The Revitalization Act repealed the authorization for the annual Federal payment in lieu of taxes that was $660,000 in 1997. The payment was replaced by a $190,000 Federal contribution in 1998 and an authorization for such amounts thereafter "as may be necessary" to reflect restrictions and unusual costs imposed on the District by the Federal government.

The debt service limitation was increased to 17% from 14% of defined revenues and technical corrections are made to the revenue base calculation. This reflects the decrease in revenues from the repeal of the Federal payment in lieu of taxes and the loss of court revenues.

The Federal participation rate for the Medicaid program was increased to 70% from 50% for services provided on or after October 1, 1997 (Public Law 105-33). While not providing parity for the District with other cities in the nation, it allows the District to redirect the decreased local participation to other expenditure priorities.

With the transfer of the judicial function to the Federal government, the District Retirement Program covering judges was transferred to the Federal government and the Federal government assumed full responsibility for the plan. All assets of the Judges Pension Trust Fund will be transferred to the Federal government.

In addition the Federal government assumed full responsibility for benefits under the District Retirement Program for the pensions of teachers, police officers and fire fighters for service rendered prior to July 1, 1997. The District remains responsible for benefits for services rendered after June 30, 1997, and has revised the plan provisions, as required by the Revitalization Act, that continues the plan under substantially the same terms. Of the assets associated with these plans, the Pension Trust Funds retain $1,275,000 plus contributions made after June 30, 1997 by employees and interest thereon. The remainder of the assets will be transferred to the Federal government. The accrued pension costs of $3,487,998 at September 30, 1997 has been assumed by the Federal government as of October 1, 1997, and is not reflected in the general long term account group.

The Act authorizes borrowing up to $500,000 to finance the accumulated General Fund deficit as of September 30, 1997. The Act further authorizes the District to borrow not more than $300,000 from the US Treasury through 2000 to finance that accumulated deficit provided that the borrowing is "provided in advance in annual appropriation acts," the District is effectively unable to reasonably obtain financing in the private market and other conditions are met.

Q. FUTURE CASH POSITION AND RESULTS OF OPERATIONS

The District's cash position improved significantly in fiscal year 1998 due to improved cash collections and the assumption by the Federal government of certain governmental functions. As of the beginning of fiscal year 1999, the District had projected cash requirements in excess of regular projected receipts of approximately $140 million during the fiscal year. To cover these projected cash flow needs, the District issued general obligation tax revenue anticipation notes of $180 million in November 1998 to be repaid in 1999. The District projects having sufficient cash from operations to repay the notes.

The Public Benefit Corporation had a retained deficit at September 30, 1998. The overall cash flow trend for the past three years is positive; however, the public benefit corporation owes $29,645 to the General Fund for cash advances relating to D.C. General Hospital through 1994. The General Fund has fully reserved the corresponding receivable.

NOTE 2. CASH AND INVESTMENTS

A. CASH

At year end, the carrying amount of the deposits was $126,203 for the primary government and $534,567 for the component units, and the bank balance was ($7,277) and $745,558, respectively. As required by law and except as follows, the bank balance was entirely insured or collateralized with securities held by the District or by its agent in the District's name.

B. INVESTMENTS

The financial reporting entity's investments are categorized as either (1) insured or registered, with securities held by the District or its agent in the District's name or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name. The District holds no investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name. Investments not evidenced by securities that exist in physical or book entry from are not categorized. Investments by type and category at September 30, 1998 follow.

Investment Type	Category 1	Category 2	Carrying Amount	Fair Value
PRIMARY GOVERNMENT:				
Pooled investments:				
U.S. Government securities	26,180	-	26,180	26,180
Repurchase agreements	569,536	-	569,536	569,536
Subtotal	**595,716**	**-**	**595,716**	**595,716**
Pension Trust Funds:				
Investments - held by Board's agent in Board's name				
Short term notes	251,444	-	251,444	251,444
Equities (of which $4,181 on securities loan with securities and other collateral)	783,073	-	783,073	783,073
Fixed income security (of which $14,428 on security loan with securities and other collateral)	246,402	-	246,402	246,402
Real estate	9,790	-	9,790	9,790
Subtotal	1,290,709	-	1,290,709	1,290,709
Investments - not categorized:				
Investments - held by broker-dealer under securities				
Loans with cash collateral:				
Equities			57,848	57,848
Fixed income security			35,694	35,694
Securities lending collective investment pool			98,717	98,717
Subtotal			192,259	192,259
Total pension trust funds	**1,290,709**	**-**	**1,482,968**	**1,482,968**
Other:				
U.S. Government securities	283,368	4,750	288,118	288,118
Repurchase agreements	54,458	-	54,458	54,458
Corporate securities	-	61,378	61,378	61,378
Subtotal	**337,826**	**66,128**	**403,954**	**403,954**
Mutual Funds			**34,926**	**34,926**
Total primary government	**$ 2,224,251**	**66,128**	**2,517,564**	**2,517,564**
COMPONENT UNITS:				
U.S. Government securities	137,981	-	137,981	137,981
Repurchase agreements	40,660	-	40,660	40,660
Corporate securities	16,188	363,425	379,613	379,613
Subtotal	**194,829**	**363,425**	**558,254**	**558,254**
Mutual Funds			**412**	**412**
Total component units	**$ 194,829**	**363,425**	**558,666**	**558,666**
Total reporting entity			**$ 3,076,230**	**3,076,230**

C. DERIVATIVE INVESTMENTS

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivative investments generally contain exposure to market risk resulting from fluctuations in interest and currency rates. The investment credit risk results from the creditworthiness of the counterparties to the contracts and, for asset backed securities and collateralized mortgage obligations, the creditworthiness of the related consumers and mortgagees. The Retirement Board believes that all contracts are legally permissible in accordance with its policy.

During 1998, the Pension Trust Funds, in accordance with the policy of the Retirement Board, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These included foreign currency forward contracts, mortgage backed security pools, collateralized mortgage obligations, asset backed securities and floating rate notes, interest only treasury securities, bond options and futures, and equity index futures.

Forward foreign currency contracts are used for defensive purposes only. These contracts hedge a portion (25% maximum) of the Funds' exposure to particular currencies on occasions when significant adverse short-term movements in exchange rate levels are expected. The foreign currency contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to the possible movements in the foreign exchange rates underlying the forward currency contracts. Market risk is managed by only dealing with counterparties with short term credit ratings of A1 or P1.

The Funds use mortgage backed securities (MBS), forward contracts for mortgage backed securities (TBA-MBS), collateralized mortgage obligations (CMOs), asset backed securities (ABS), structured notes, and floating rate notes primarily to increase potential returns. Investing in an MBS is similar to investing in a pool of mortgage loans. An MBS offers investors higher yields with higher market risk compared to comparable US Treasury securities. A CMO may have higher or lower yields with less or more market risk than a comparable MBS. An ABS offers higher yields than comparable US Treasuries with additional market risk. Market risk is managed by monitoring the duration of the investments. Credit risk is managed by monitoring the collateral of each security and any related guarantee.

Forward contracts to purchase MBS (also referred to as TBA-MBS) are used by the Funds with the expectation of raising the effective yield on mortgage holdings versus holding an MBS outright. It is assumed that TBA-MBS positions have duration and convexity characteristics similar to those of an MBS with identical coupons and maturities. This ensures the portfolio's sensitivity to interest rate changes does not increase beyond that which is allowed by the Retirement Board's investment policies. TBA-MBS agreements carry a degree of counterparty risk, but is reduced to low levels by transacting only with primary dealers.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index. A downward movement in the underlying index would negatively impact the interest income received on this security. Upward movements in interest rates do not adversely affect floating rate notes as much as fixed rate securities. Thus, the floating rate notes may be used as a hedge against upward changes in interest rates.

Exchange traded and over the counter bond options were purchased during the year, primarily to gain exposure to underlying bond positions. All positions were purchases, limiting market risk to the cost of the option, and all options were sold or expired prior to year end. Credit risk is minimized by trading via exchanges and investment grade counterparties.

The Pension Trust Funds also hold derivative instruments indirectly by participating in mutual funds or investment pools that hold derivatives. Information regarding any risks associated with these holdings is generally not available. One equity index mutual fund has confirmed the use of stock performance index futures in its portfolio.

At September 30, 1998, the Pension Trust Funds portfolio included $220,339 of derivative instruments, or 14.9% of the pension investment portfolio. Derivative investments by type at September 30, 1998 follows. The proportion of derivative instruments varied at times throughout the year. Further information regarding balances throughout the year is not available.

Investment Instrument Type	Market Value
Mortgage backed security pools	$ 65,977
Collateralized mortgage obligations	27,596
Asset backed securities	44,677
Floating rate notes	24,851
Mortgage backed securities forward contracts	47,374
Structured notes (including interest only treasury)	10,357
Foreign currency futures contracts, net (purchases $948 and sales $1,666)	(718)
Other	225
Total derivatives	**$** 220,339

The Housing Finance Unit has derivative investments of $199,130, primarily in mortgage backed securities.

D. SECURITIES LENDING TRANSACTIONS

The pension trust funds participate in securities lending transactions. During 1998, the Retirement Board loaned securities and received collateral in the form of currency, securities issued or guaranteed by the United States government and sovereign debt of Organization of Economic Cooperation and Development countries. The collateral could not be pledged or sold unless the borrower defaulted on the loan. The value of the collateral was at least 102% of the market value of the loaned securities if those securities were sovereign debt issued by a foreign government, denominated in United States dollars or their primary trading market was located in the United States. The value of the collateral was at least 105% of the market value of all other loaned securities.

Currency collateral was invested in an investment pool. At September 30, 1998, the investment pool had an average duration of 63 days. This average duration generally did not match the duration of the securities loans because the loans could be terminated on demand.

During 1998, the Retirement Board did not restrict the amount of loaned securities. No failure to return loaned securities or to pay distributions occurred during the year, and no losses were incurred from a default of a borrower. The Retirement Board and the borrowers had the right to terminate on demand the securities lending transactions. The pension trust funds had no credit risk exposure to borrowers as of year end. As of September 30, 1998, the pension trust funds held $118,671 of collateral against $112,755 of loaned securities.

NOTE 3. INTERNAL AND OTHER RECEIVABLES

A. INTERNAL RECEIVABLES AND PAYABLES

Internal receivable and payable balances for each individual fund and unit at September 30, 1998 follow.

Fund or Unit	Intragovernmental Receivables	Intragovernmental Payables	Interfund Receivables	Interfund Payables
General	$ 44,082	49,762	28,649	13,195
Financial Responsibility Authority	-	-	914	-
Capital Projects	-	-	296,916	-
Unemployment Compensation	-	-	1,987	-
Financial Responsibility Authority Agency	-	5,646	72,173	385,830
Pension Trust	-	-	-	1,614
Public Benefit Corporation	-	41,905	-	-
Water and Sewer	46,115	-	-	-
Convention Center	3,671	-	-	-
Sports Commission	-	2,177	-	-
University	5,622	-	-	-
Subtotal	**99,490**	**99,490**	**400,639**	**400,639**
Less-allowance for uncollectibles	29,645		-	
Net total	**$ 69,845**		**400,639**	

B. OTHER RECEIVABLES

Taxes and accounts receivable are valued at their estimated collectible amount. A summary of these receivables follows.

	General Fund	Enterprise	Trust and Agency	Discretely Presented Component Units
Gross Receivable:				
Taxes	$ 305,233	-	11,109	-
Accounts	130,032	2,099	6,173	219,524
Total gross receivable	**435,265**	**2,099**	**17,282**	**219,524**
Less-allowance for uncollectibles	187,099	456	-	57,158
Total net receivable	**$ 248,166**	**1,643**	**17,282**	**162,366**

NOTE 4. FIXED ASSETS

A. GENERAL FIXED ASSETS BY CLASS

A summary of changes in general fixed assets by asset class and resources invested follows.

Asset Class	Balance October 1, 1997	Acquisitions	Transfers/ Dispositions	Balance September 30, 1998
Land	$ 277,469	-	(36,040)	241,429
Improvements	2,001,275	-	107,586	2,108,861
Buildings	2,611,059	-	(316,471)	2,294,588
Equipment	279,644	18,576	5,533	303,753
Construction in progress	7,154	260,837	(232,089)	35,902
Transit system infrastructure	763,286	-	40,492	803,778
Total	**5,939,887**	**279,413**	**(430,989)**	**5,788,311**
Less-accumulated depreciation	2,489,898	161,918	(158,407)	2,493,409
Net general fixed assets	**$ 3,449,989**	**117,495**	**(272,582)**	**3,294,902**
Governmental	$ 2,612,495	45,011	(240,599)	2,416,907
Intergovernmental	837,494	72,484	(31,983)	877,995
Total resources invested	**$ 3,449,989**	**117,495**	**(272,582)**	**3,294,902**

Acquisitions consist of expenditures from the General Fund ($18,576 and from the Capital Projects Fund $260,837). When a project is completed, costs in the construction in progress account are transferred to one or more of the other asset classes or are removed.

B. GENERAL FIXED ASSETS BY FUNCTION

A summary of changes in general fixed assets by function follows.

Function	Balance October 1, 1997	Acquisitions	Transfers/ Dispositions	Balance September 30, 1998
Governmental direction and support	$ 797,307	1,076	(353,985)	444,398
Economic development and regulation	127,713	2,629	2,135	132,477
Public safety and justice	667,916	5,749	9,579	683,244
Public education system	697,413	3,496	(5,415)	695,494
Human support services	440,170	4,431	1,319	445,920
Public works	2,438,928	1,195	106,975	2,547,098
Construction in progress	7,154	260,837	(232,089)	35,902
Transit system infrastructure	763,286	-	40,492	803,778
Total	**$ 5,939,887**	**279,413**	**(430,989)**	**5,788,311**

C. ENTERPRISE FUNDS FIXED ASSETS

A summary of changes in enterprise funds fixed assets by asset class follows.

Asset Class	Balance October 1, 1997	Acquisitions	Transfers/ Dispositions	Balance September 30, 1998
Equipment	$ 2,988	60	-	3,048
Total	**2,988**	**60**	**-**	**3,048**
Less-accumulated depreciation	2,200	321	-	2,521
Net fixed assets	**$ 788**	**(261)**	**-**	**527**

D. DISCRETELY PRESENTED COMPONENT UNITS FIXED ASSETS

A summary changes in discretely presented component unit fixed assets by asset class and contributed capital follows.

Asset Class	Balance October 1, 1997	Acquisitions	Transfers/ Dispositions	Balance September 30, 1998
Land	$ 39,714	1,640	-	41,354
Utility plant	1,431,722	-	48,984	1,480,706
Buildings	337,689	18	3,872	341,579
Equipment	121,568	3,799	1,459	126,826
Construction in progress	112,668	70,215	(58,112)	124,771
Total	**2,043,361**	**75,672**	**(3,797)**	**2,115,236**
Less-accumulated depreciation	691,025	41,952	(3,548)	729,429
Net fixed assets	**$ 1,352,336**	**33,720**	**(249)**	**1,385,807**
Governmental	$ 481,309	4,594	(5,925)	479,978
Intergovernmental	224,214	4,766	(4,133)	224,847
Total contributed capital	**$ 705,523**	**9,360**	**(10,058)**	**704,825**

Acquisitions include $3,696 from the Capital Projects Fund.

E. CONSTRUCTION IN PROGRESS

A summary of construction in progress by function at September 30, 1998 follows.

Function	Number of Projects	Authorizations	Expenditures	Unexpended Balances
Governmental direction and support	4	$ 45,576	22,853	22,723
Public safety and justice	3	6,823	1,538	5,285
Public education system	1	7	7	-
Human support services	8	36,497	7,963	28,534
Public works	11	38,140	3,541	34,599
Total general	**27**	**$ 127,043**	**35,902**	**91,141**
Water and sewer	29	$ 274,179	97,005	177,174
Convention center	2	27,564	27,564	-
Public benefit corporation	1	1,076	202	874
Total component units	**32**	**$ 302,819**	**124,771**	**178,048**

NOTE 5. LONG TERM LIABILITIES

A. LONG TERM DEBT

Long term debt of the primary government at year end was comprised of 8 original ($869,688), 6 refunding ($2,170,237) and 1 funding ($165,600) issues of 5 to 20 year serial/term general obligation bonds payable to the public, with interest rates from 4.25% to 7.50%. These bonds are secured by the full faith and credit of the District and by deposits with banks of a special real property tax for payment of bond principal and interest. At year end, cash and investments with fiscal agents for 1999 debt service payments were $224,754.

During the year, the District issued $451,635 of general obligation refunding bonds. The proceeds, plus the $25,337 bond premium, were used to pay issuance costs of $7,887 and to legally defease general obligation bonds payable of $402,230 and U.S. Treasury notes payable of $29,528. The refunding reduced future debt service payments by $16,856, and gave rise to an economic gain of $17,286 resulting from reduced future interest payments. The effective interest rate for the bonds was 5.11%.

A summary of changes in long term debt follows.

	Component		General		
	Notes	Bonds	Notes	Bonds	Total
Debt payable at October 1, 1997	**$ 10,142**	**271,958**	**39,706**	**3,045,057**	**3,366,863**
Bond proceeds:					
Series 1998A (improving)	-	-	-	206,135	**206,135**
Series 1998B (refunding)	-	-	-	451,635	**451,635**
Total	**10,142**	**271,958**	**39,706**	**3,702,827**	**4,024,633**
Debt payments:					
Principal matured	1,326	5,611	10,178	209,194	226,309
Principal refunded	8,816	152,225	29,528	402,230	592,799
Debt payable September 30, 1998	**-**	**114,122**	**-**	**3,091,403**	**3,205,525**
Less-current maturities	-	6,035	-	-	6,035
Long term debt	**$ -**	**108,087**	**-**	**3,091,403**	**3,199,490**

A summary of principal and interest requirements to maturity of general long term debt payable follows.

Year Ending September 30	Component		General		Total
	Principal	Interest	Principal	Interest	
1999	6,035	6,169	226,534	173,970	412,708
2000	7,725	5,825	233,587	164,854	411,991
2001	9,180	5,401	240,650	152,889	408,120
2002	12,147	4,922	257,740	133,776	408,585
2003	13,511	4,292	268,305	120,762	406,870
2004-2008	55,618	10,274	1,016,203	390,088	1,472,183
2009-2013	9,906	968	465,242	209,559	685,675
2014-2017	-	-	383,142	187,884	571,026
Total	114,122	37,851	3,091,403	1,533,782	4,777,158

A summary of principal and interest requirements to maturity of the long term debt of the Housing Finance Unit follows.

Year Ending September 30	Principal	Interest	Total
1999	76,217	32,868	109,085
2000	4,276	31,974	36,250
2001	4,288	27,585	31,873
2002	4,138	27,493	31,631
2003	3,265	27,371	30,636
Thereafter	463,328	564,076	1,027,404
Total	555,512	711,367	1,266,879

During fiscal year 1998, the Water and Sewer Unit issued notes payable to the Federal government for capital improvements to the Washington Aqueduct. The interest rates are reset each quarter as determined by the U.S. Treasury; interest ranges from 5.51% to 6.11% in 1998. In April 1998, the Water and Sewer Unit issued $266,120 of senior lien public utility revenue bonds to fund various capital projects and to repay an outstanding balance under the revolving line of credit and certain notes payable to the Federal government. A summary of principal and interest requirements to maturity of the long term debt of the Water and Sewer Unit follows.

Year Ending September 30	Principal	Interest	Total
1999	14,928	28,228	43,156
2000	10,185	21,552	31,737
2001	13,166	20,996	34,162
2002	14,516	20,294	34,810
2003	15,223	19,486	34,709
2004 - 2008	58,019	86,198	144,217
2009 - 2013	59,601	69,729	129,330
Thereafter	225,197	84,201	309,398
Total	410,835	350,684	761,519

On September 29, 1998, the Convention Center Unit issued $524 million in lien dedicated tax revenue serial and term bonds at various interest rates and maturities. The proceeds will be used to construct and equip the new convention center. The bonds are special obligations of the convention center and not a debt of nor a pledge of the District Government. A summary of principal and interest requirements to maturity of the long term debt of the convention center follows.

Year Ending September 30	Principal	Interest	Total
1999	0	28,114	28,114
2000	0	25,952	25,952
2001	0	25,952	25,952
2002	0	25,952	25,952
2003	10,225	25,952	36,177
2004 - 2008	58,830	122,043	180,873
2009 - 2013	75,535	105,336	180,871
Thereafter	379,870	162,741	542,611
Total	524,460	522,042	1,046,502

B. OTHER LONG TERM LIABILITIES

A summary of changes in other long term liabilities follows.

Account	Balance October 1, 1997	Additions	Deductions	Balance September 30, 1998
Component Unit:				
Construction contracts payable	**20,659**	-	**876**	19,783
Deferred revenue	**328,550**	**6,375**	**7,455**	327,470
Total	**$ 349,209**	**6,375**	**8,331**	**347,253**
Enterprise:				
Prize annuities payable	**$ 79,570**	**21,820**	**8,287**	**93,103**
General:				
Accrued disability compensation	$ 153,584	174,056	33,041	294,599
Accumulated annual leave	55,884	-	1,042	54,842
Accumulated compensatory leave	5,127	2,251	-	7,378
Deferred compensation	12,743	3,573	-	16,316
Accreted interest	35,818	7,082	-	42,900
Capital leases payable (note 9)	129,715	-	5,534	124,181
Hospitals construction	71	-	30	41
Total	**$ 392,942**	**186,962**	**39,647**	**540,257**

C. POSTEMPLOYMENT BENEFITS

The cost of providing postretirement health care and life insurance for employees hired before October 1, 1987 is borne by the Federal government and the District has no liability for this cost. Employees hired after September 30, 1987 who subsequently retire may be eligible to continue their health care benefit plan (DC Code 1-622) and to convert their group life insurance to individual life insurance (DC Code 1-623). No liability for the District's portion of the cost of postretirement benefits is recorded and the cost is recognized as an expenditure when the premiums are paid. During the year, no expenditures were recognized because there were no covered retirees.

NOTE 6. TRUST AND AGENCY FUNDS

A. UNEMPLOYMENT COMPENSATION

The District sponsors the state Unemployment System for the District of Columbia which is administered by the Office of Unemployment Compensation in the Department of Employment Services and is accounted for as a separate Unemployment Compensation Trust Fund. The fund pays benefits to unemployed former employees of the District and Federal governments and private employers carrying on employment in the District. The District and Federal governments reimburse the fund for benefits paid by it to their respective unemployed former employees. Private employers contribute to the fund at statutory rates. Administrative costs of the system are paid by the General Fund and reimbursed by a Federal grant. The fund had a total fund balance of $183,711 at September 30, 1998.

B. DEFINED BENEFIT PENSION PLANS

Plan Descriptions

The Federal government administers the Civil Service Retirement System (5 U.S.C. 8331) which covers permanent full-time employees hired before October 1, 1987 (except those covered by the District Retirement Program) and the Social Security System (42 U.S.C. 301) which covers all other employees (except those covered by the District Retirement Program).

Effective for the first pay period ended on or after October 1, 1997, the Balanced Budget Act of 1997 (Public Law 105-33) mandated an increase in the agency contribution for most Civil Service covered employees from 7% to 8.51% (9.01% for law enforcement officers and firefighters). The agency contribution rate will revert to 7.5% in October 2002, and then back to 7% in January 2003. The employee contribution rate for Civil Service covered employee remained at 7% for fiscal year 1998. District contributions to the pension plans administered by the Federal government, for the years ended September 30, 1998 and 1997, were as follows. The District has no further liability to these plans.

Plan	Rate	Employees	1998	1997
Civil Service	8.51 %	11,887	$ 33,231	36,547
Social Security	7.65	11,584	30,553	24,725
Total		23,471	$ 63,784	61,272
Total payroll			$ 1,458,251	1,526,637

The District Retirement Programs (DC Code 4-601, 11-1561, 31-1201) are single employer defined benefit pension plans administered by the Retirement Board and accounted for as pension trust funds. Each of the two plans provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. Administrative costs of the Retirement Board are financed by the funds. Administrative costs of benefit payments and census data are financed and recorded by the General Fund of the District. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained in writing at District of Columbia Retirement Board, Executive Director, 1400 L Street, NW, Suite 300, Washington, DC 20005.

Funding Policy

The Retirement Board established and may amend the contribution requirements of plan members and the District for each plan. The District's annual pension cost for the current year is as follows:

	Police and Fire	Teachers
Contribution rates		
Plan members	7% - 8%	7% - 8%
Annual pension cost (millions)	$47.7	$9.6
Contributions made (millions)	$47.7	$9.6
Actuarial valuation date	10/01/97	10/01/97
Actuarial cost method	Aggregate	Aggregate
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	5%	5%
Inflation rate	5%	5%
Cost of living adjustments	5%	5%

Pension Cost

Due to the changes in the District's retirement plan because of the impact of the Revitalization Act, only one year of annual pension cost and required supplementary information is available:

	Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
Police and Fire	09/30/98	$47.7	100%	$0
Teachers	09/30/98	$9.6	100%	$0

C. DEFINED CONTRIBUTION PENSION PLAN

The District sponsors a defined contribution pension plan (DC Code 1-627) with a qualified trust under Internal Revenue Code section 401 for permanent full-time employees covered by the Social Security System. The District contributes 5% (5.5% for detention officers) of base salaries each quarter. Employees do not contribute to the plan and are eligible to participate after 1 year of service. The District contributed $12,607 and $13,285 in 1998 and 1997, respectively, on covered payroll of $248,435 and $247,471. Contributions and earnings vest fully after four years of service following a one-year waiting period. Contributions are reduced if separation occurs before five years of credited service. Contributions are not assets of the District, which has no further liability to this plan.

D. DEFERRED COMPENSATION PLANS

The District offers it employees a deferred compensation plan (DC Code 47-3601) created in accordance with Internal Revenue Code Section 457. Employees, other than teachers, may defer up to 25% of their annual compensation, not to exceed $8,000. Compensation deferred and income earned are taxable when paid or made available to the participant or beneficiary upon retirement, death, termination or unforeseeable emergency. Contributions are not assets of the District which has no further liability to this plan.

The District sponsors an annuity purchase plan (DC Code 31-1252) with insurance companies and other issuers under Internal Revenue Code section 403 for public teachers covered by the District Retirement Program. Employees may defer up to $10,000 of their annual compensation and employees with more than fifteen years of service may defer up to $13,000. The District does not contribute to the plan. Contributions vest immediately and are not assets of the District which has no liability to this plan.

NOTE 7. AFFILIATED ORGANIZATIONS

A. COMPONENT UNITS

The financial reporting entity includes six component units which sell services to the public on a continuing basis. The District is not liable for the debts of the convention center, sports commission, or housing finance, and their bonds, if any, are payable solely from defined revenues and assets of the unit. Through 1996, Water and Sewer Unit long term capital financing was provided by general obligation bonds and notes payable to the Federal government issued by the District and repaid from operating revenues of the unit. Thereafter, bonds issued by the unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the District may issue new general obligation bonds to refinance prior issuances. Certain tax revenues are dedicated to the convention center and sports commission.

In 1998, the District and the Public Benefit Corporation entered into an agreement whereby the District would forgive a portion of the Corporation's debt to the City incurred by its predecessor, D.C. General Hospital. In exchange, the Corporation would dismiss any legal or administrative claims that the subsidy from the District did not include the appropriate amounts for the non-Federal portion of Medicaid reimbursable costs in fiscal years 1989 through 1998. The amount of the debt forgiven, which had been fully reserved, and the disputed costs are approximately $55,000.

Condensed balance sheets of the component units at September 30, 1998 follow.

Account	Public Benefit Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Current assets	$ 20,775	332,172	623,192	20,194	388,858	37,281	1,422,472
Long term assets	-	45,055	17,678	-	229,006	-	291,739
Fixed assets, net	43,735	1,136,890	118,977	8,021	2,434	75,750	1,385,807
Total assets	**$ 64,510**	**1,514,117**	**759,847**	**28,215**	**620,298**	**113,031**	**3,100,018**
Current liabilities	$ 69,731	128,710	7,230	3,232	23,893	20,093	252,889
Long term liabilities	-	739,451	524,460	-	557,912	-	1,821,823
Total liabilities	**69,731**	**868,161**	**531,690**	**3,232**	**581,805**	**20,093**	**2,074,712**
Contributed capital	119,816	398,441	95,941	15,715	-	74,912	704,825
Retained earnings (deficit)	(125,037)	247,515	132,216	9,268	38,493	18,026	320,481
Total equity	**(5,221)**	**645,956**	**228,157**	**24,983**	**38,493**	**92,938**	**1,025,306**
Total liabilities and equity	**$ 64,510**	**1,514,117**	**759,847**	**28,215**	**620,298**	**113,031**	**3,100,018**

Condensed statements of revenues, expenses and changes in retained earnings of the component units for the year ended September 30, 1998 follow.

Account	Public Benefit Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Operating revenues	$ 127,558	255,396	9,443	8,121	29,611	16,962	447,091
Operating expenses:							
Depreciation	6,316	26,278	2,310	1,016	107	5,925	41,952
Other	144,645	182,503	19,636	5,705	24,444	68,849	445,782
Operating income (loss)	**(23,403)**	**46,615**	**(12,503)**	**1,400**	**5,060**	**(57,812)**	**(40,643)**
Nonoperating revenues, net	-	9,944	6,876	-	2,917	15,280	35,017
Intragovernmental transfers	42,873	-	47,113	-	-	41,391	131,377
Net income (loss)	**19,470**	**56,559**	**41,486**	**1,400**	**7,977**	**(1,141)**	**125,751**
Depreciation added back	-	4,133	-	-	-	5,925	10,058
Retained earnings (deficit) at October 1	(144,507)	186,823	90,730	7,868	30,516	13,242	184,672
Retained earnings (deficit) at September 30	**$ (125,037)**	**247,515**	**132,216**	**9,268**	**38,493**	**18,026**	**320,481**

Condensed statements of cash flows of the component units for the year ended September 30, 1998 follow.

Account	Public Benefit Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Operating activities	$ (3,366)	(24,542)	(8,250)	1,577	5,103	(45,156)	(74,634)
Capital and related financing activities	(700)	20,796	494,324	(99)	(2,395)	-	511,926
Noncapital financing activities	(222)	16,798	47,508	-	(98,065)	55,692	21,711
Investing activities	-	22,187	6,876	-	13,895	1,315	44,273
Increase (decrease) in cash	**(4,288)**	**35,239**	**540,458**	**1,478**	**(81,462)**	**11,851**	**503,276**
Cash and investments at October 1	4,288	20,509	77,811	18,142	461,212	7,995	589,957
Cash and investments at September 30	**$ -**	**55,748**	**618,269**	**19,620**	**379,750**	**19,846**	**1,093,233**

Complete financial statements can be requested for each unit as follows.

Public Benefit Corporation
District of Columbia Health and Hospitals Public Benefit Corporation
Executive Director
19th & Massachusetts Avenue, SE
Washington, DC 20003

Water and Sewer
Water and Sewer Authority
General Manager
5000 Overlook Avenue, SW
Washington, DC 20032

Convention Center
Washington Convention Center Authority
General Manager
900 Ninth Street, NW
Washington, DC 20005

Sports Commission
Sports Commission Authority
General Manager
2001 East Capitol Street, SE
Washington, DC 20003

Housing Finance
DC Housing Finance Agency
Executive Director
1401 New York Avenue, NW
Washington, DC 20005

University
University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, NW
Washington, DC 20008

B. RELATED ORGANIZATIONS

Upon creation in 1995 the District of Columbia Housing Authority assumed the assets and liabilities of the Department of Public and Assisted Housing, which was abolished. The Department of Public and Assisted Housing had recorded outstanding receivables from the US Department of Housing and Urban Development for expenditures that were financed by the General Fund of $3,702 and by the Capital Projects Fund of $15,906. This amount is recorded in the General Fund as an account receivable from the authority. Collection by the General Fund is contingent upon the authority collecting from the US Department of Housing and Urban Development. The authority asserts that this receivable is not valid. Accordingly, the General Fund has fully reserved as uncollectible the receivable from the authority.

The District of Columbia Redevelopment Land Agency, a separate legal entity but part of the Department of Housing and Community Development, is an instrumentality of the District (DC Code 5-801 and 803) with broad powers to promote redevelopment in blighted areas of the District. The agency was authorized to issue debt to finance certain site acquisition, preparation and infrastructure costs for the privately financed MCI Center arena; and to receive certain dedicated tax revenues to service the debt (DC Law 10-128 et al and Public Law 104-28). Between September and December 1995 the agency drew $36,517 of bank loans, pending the issuance of special tax revenue bonds in the amount of $59,950, which were issued January 11, 1996. The bank loans were repaid on the date of the issuance of the bonds. These debts are not general obligation debts of the District, and are payable solely from the dedicated tax revenues, which revenues have been such that payment is ahead of that required for scheduled redemption, and certain ground lease payments to the agency associated with the arena.

C. JOINT VENTURE

District contributions to the Washington Metropolitan Area Transit Authority for the years ended September 30, 1998 and 1997 follow.

Account		1998	1997
Operating grants	$	116,415	118,672
Debt service grants		10,331	10,330
Capital grants		40,492	50,000
Total	**$**	**167,238**	**179,002**

The amounts of the stable and reliable revenues allocated by the District to the Transit Authority were $340,556 and $294,700 for the years ended September 30, 1998 and 1997, respectively.

The District pays the Transit Authority for taking public school students to and from schools or school-related activities. The payments are classified as current public works expenditures in the General Fund and were $2,342 in 1998 and $2,946 in 1997.

The Transit Authority issues separate audited financial statements that can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5th Street, NW, Washington, DC 20001.

D. FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

The Financial Responsibility Authority was created by Public Law 104-8 as a five member board appointed by the President, having broad powers and independent oversight over the District, as more fully described in Note 1. The Financial Responsibility Authority is included as a blended component unit of the primary government, as required by generally accepted accounting principles (GAAP) with its general fund presented as a special revenue fund and its agency funds and account groups combined with those of the primary government. The Financial Responsibility Authority prepares separate audited financial statements that can be requested from the District of Columbia Financial Responsibility and Management Assistance Authority, Chief Financial Officer, Suite 900, One Thomas Circle, NW, Washington, DC 20005.

NOTE 8. INTERGOVERNMENTAL TRANSACTIONS

A. FEDERAL CONTRIBUTION

Prior to 1998, the Federal government would make a payment to the District in lieu of taxes it would have had to pay had it been subject to taxation and for costs incurred by the District for special purposes. In 1998 and effective with the passage of the National Capital Revitalization and Self-Government Improvement Act of 1997 (Public Law 105-33), the annual Federal payment in lieu of taxes was repealed and replaced by a $190,000 Federal contribution in 1998 and an authorization for such amounts thereafter "as may be necessary" to reflect restrictions and unusual costs imposed on the District by the Federal government. In 1998, the District also received $8,000 to be used for management reform initiatives.

A summary of the Federal contribution to the General Fund for the years ended September 30, 1998 and 1997 follows.

Purpose	1998	1997
General purpose	190,000	660,000
Inaugural costs	-	5,702
Management reform initiatives	8,000	-
Total	**$ 198,000**	**665,702**

B. OPERATING GRANTS

The District participates in Federal financial assistance programs: formula and project grants; direct payments for specified and unrestricted use; food stamp and other pass through grants; and direct and guaranteed loans.

A summary of operating grants for the years ended September 30, 1998 and 1997 follows.

Function	1998	1997
Governmental direction and support	$ 5,029	4,053
Economic development and regulation	86,892	59,990
Public safety and justice	9,938	22,467
Public education system	106,272	73,436
Human support services	823,317	739,880
Public works	1,715	6,231
Total general	**1,033,163**	**906,057**
Housing finance	25,634	22,363
University	8,099	8,945
Total reporting entity	**$ 1,066,896**	**937,365**

C. CAPITAL GRANTS

Federal capital grants are used for the purchase or construction of fixed assets. Capital grants, except for water and sewer facilities, are recorded as Intergovernmental Revenues in the Capital Projects Fund. Capital grants for water and sewer facilities are recorded as Contributed Capital in the Water and Sewer Unit.

A summary of capital grants for the years ended September 30, 1998 and 1997 follows.

Function	1998	1997
Economic development and regulation	$ 1	676
Public education system	25,640	18,235
Human support services	1,215	792
Public works	84,035	73,390
Total capital projects	**110,891**	**93,093**
Water and sewer	766	6,054
Total reporting entity	**$ 111,657**	**99,147**

D. WATER AND SEWER SERVICES

The District exercises no oversight responsibility over the Washington Aqueduct which is owned by the Federal government and operated by the U. S. Army Corps of Engineers. The District compensates the Federal government for operating expenses and capital outlays of the Washington Aqueduct. The capital outlays are capitalized and depreciated over 60 years in the Water and Sewer Unit.

A summary of costs incurred for the years ended September 30, 1998 and 1997 follows.

Purpose	1998	1997
Operating expenses	$ 0	9,655
Capital outlays	10,565	6,394
Total	**$ 10,565**	**16,049**

NOTE 9. LEASES

The present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having noncancelable terms in excess of one year at September 30, 1998 are as follows.

	Primary Government			Discretely Presented Component Units		
		Operating Leases			Operating Leases	
Year Ending September 30	Capital Leases	Facilities	Equip-ment	Capital Leases	Facilities	Equip-ment
1998	$ 10,818	29,667	485	-	1,246	545
1999	10,833	28,692	214	-	1,223	535
2000	10,730	25,836	171	-	1,193	-
2001	10,716	25,639	172	-	1,240	-
2002	10,716	25,831	74	-	4,962	-
Thereafter	116,822	144,362	-	-	-	-
Minimum lease payments	**170,635**	**280,027**	**1,116**	**-**	**9,864**	**1,080**
Less - imputed interest	46,454			-		
Present value of payments	**124,181**			**-**		

Capital lease payments are classified as current expenditures in the governmental funds. Lease expenditures were $50,488 in 1998 and $46,865 in 1997 for governmental funds, and $8,556 in 1998 and $10,368 in 1997 for discretely presented component units.

In 1997, the District entered into an agreement for a third party to operate the Correctional Treatment Facility for 20 years. At the end of the lease the facility will return to the District. In the event of early termination, the District will buy out the balance of the lease payments.

NOTE 10. CONTINGENT LIABILITIES

A. RISK MANAGEMENT

The District retains all risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. A claim is accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. A liability is recognized also for an estimate of claims that have been incurred but not reported. Assets are not set aside to finance claim payments. Optional health and life insurance coverage are available to employees, with both employee and District premium contributions and without the District retaining risk.

A summary of changes in the accrued liability for claims and judgments in the General Fund follows.

Component		1998	1997
Liability at October 1	**$**	**47,764**	**39,449**
Incurred claims		35,328	24,056
Less - claims payments		21,042	15,741
Liability at September 30	**$**	**62,050**	**47,764**

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. No accrual has been provided for possible but not probable additional claims which are estimated at $222,000.

The District administers a Disability Compensation System that pays benefits for accidental disability or death of District employees resulting from personal injury while in the performance of their duties. The benefits are funded on a pay-as-you-go basis. The present value at 6.3% of projected disability compensation is accrued in the General Long Term Liabilities Account Group, and a summary of changes follows.

Component		1998	1997
Liability at October 1	**$**	**153,584**	**130,364**
Benefits incurred		174,056	46,003
Less - benefit payments		33,041	22,783
Liability at September 30	**$**	**294,599**	**153,584**

The reserve amount has substantially increased in fiscal year 1998 due to a change in the accounting estimate. In fiscal year 1998, the District included a new set of claimants which were previously excluded upon the District's assumption that these claimants were temporary and short-term in nature. However, these claimants prove not to be short-term and the District has included them in the fiscal year 1998 actuarial loss analysis.

The District has entered into interest rate swap agreements for two variable rate bond issues, of which $353,600 and $403,400 are outstanding at September 30, 1998 and 1997, respectively. The agreements are for the term of the related outstanding bonds. Based on the swap agreements, the District owes interest to the counterparties to the swap calculated at a fixed rate of 5.80% and 6.02%. In return, the counterparties owe the District interest based on a variable rate. Only the net difference in interest payments is actually exchanged with the counterparties. The District continues to pay interest to the bondholders at the variable rate as provided by the bonds, and the net interest payment under the swap agreements adjusts the net interest to an approximate fixed rate. The District will be exposed to variable rates on the bonds if a counterparty defaults or if a swap agreement is terminated. Terminating a swap agreement may result in the District making or receiving a termination payment related to market rates at that time.

The District entered into debt service deposit agreements effective through 2014 that exchanged future cash flows of certain special tax fund escrow accounts for a fixed amount received by the District upon entering into the agreements, thus increasing the predictability of cash flows from the earnings on escrow account investments. Upon early termination of an agreement and depending upon then current interest rates, any termination amount owed by the District may substantially exceed the amount received upon entering into the agreements.

B. FEDERALLY ASSISTED PROGRAMS

The District participates in a number of Federally assisted grant programs as described in Note 8. These grants are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs have not yet been conducted for the year ended September 30, 1998 and, for certain programs, for prior years. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. An accrual of $117,166 in the General Fund has been provided which estimates the probable amount of expenditures that may be disallowed by the granting agencies based on prior experience.

NOTE 11. YEAR 2000 COMPLIANCE

Certain computer programs have been written using two digits rather than four to define the applicable year, which could result in the computer recognizing the date using "00" as the year 1900 rather than the year 2000. This, in turn, could result in major system failures in miscalculations, and is generally referred to as the "Year 2000" problem. The District has commenced a process to assure Year 2000 (Y2K) compliance of all hardware, software, and ancillary equipment that is date dependent.

The District has established a Y2K program office to manage and coordinate Y2K compliance activities throughout the District. A project strategy was launched that included assessments of IT systems and support software and hardware; non-IT assets; remediation and testing; contingency planning, compliance/vendor management and clean management processing. The District has budgeted approximately $31 million in fiscal year 1999 for Y2K remediation efforts. The District has requested a supplemental appropriation of $111 million for 1999 to accelerate the pace of its remediation efforts. The Y2K compliance program is one of the top priorities of the Financial Responsibility Authority and is being funded as part of the overall management reform effort.

The District's Y2K process involves four phases:

Phase I - Awareness Stage. This phase encompasses establishing a budget and project plan for dealing with the Year 2000 issue.

Phase II - Assessment Stage. This begins with identifying all of the District's systems and individual components of those systems. The District has identified its mission-critical systems and equipment, which are systems and equipment that are critical to conducting operations and checking for compliance.

Phase III - Remediation Stage. This phase is comprised of making technical changes to existing systems and equipment or switching to new compliant systems. During this stage, decisions are made on how to make the systems Y2K compliant and the required system changes are made.

Phase IV - Validation/Testing Stage. This phase validates and tests the changes made during the remediation stage. This stage includes the development of test data and test scripts, the running of test scripts, and the review of test results.

The scope of the Y2K project includes over 336 applications across 68 District agencies, of which 16 agencies have been deemed mission critical. The District has identified 226 applications as mission critical. The District believes that these applications are in the following stages of work.

	Total	Awareness	Assessment	Remediation	Validation/ Testing	Complete
Mission Critical Systems	226	34	181	9	2	0
Other	110	110	0	0	0	0

While the District has allocated significant resources to the Y2K issue and expects to resolve all of its Y2K problems, there can be no assurance that all systems will be ready or that failure of systems not identified as critical will not have a significant negative effect on the District's operation. Also, minor problems will undoubtedly remain after December 31, 1999. The District does not expect Y2K problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the District has no control over the Y2K remediation efforts of external third parties and to the extent that the third parties have not resolved its Y2K problems, they may negatively impact the District.

GENERAL FUND

The General Fund is used to account for all financial resources which are not required to be accounted for in another fund. All fixed assets of the primary government except those related to specific proprietary funds are accounted for through the General Fixed Assets Account Group. All long term liabilities of the primary government except those related to specific proprietary funds are accounted for through the General Long Term Liabilities Account Group.

Exhibit A-1

GENERAL FUND

COMPARATIVE BALANCE SHEETS

September 30, 1998 and 1997
($000s)

		1998	1997
ASSETS			
Current Assets:			
Cash and investments	$	454,464	307,219
Receivables (net of allowances for uncollectibles):			
Taxes		194,944	218,814
Accounts		53,222	64,762
Intergovernmental		393,321	365,465
Intragovernmental		14,437	2,177
Interfund		28,649	62,310
Inventories		55,432	74,697
Other current assets		8,427	11,648
Total current assets		1,202,896	1,107,092
Long Term Assets:			
Receivables (net of allowances for uncollectibles):			
Loans		21,023	33,403
Total assets	**$**	**1,223,919**	**1,140,495**
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Payables:			
Accounts	$	325,985	310,560
Compensation:			
Salaries and wages		94,317	94,935
Employee benefits		(1,490)	7,884
Payroll taxes		6,355	4,417
Annual leave		21,380	23,183
Other deductions		12,602	12,992
Intergovernmental		-	11,770
Intragovernmental		49,762	58,683
Interfund		13,195	18,901
Accrued liabilities:			
Claims and judgments		62,050	47,764
Grant disallowances		117,166	100,564
Interest		55,507	54,759
Medicaid		48,164	120,491
Tax refunds		-	13,407
Deferred revenue:			
Property taxes		109,597	118,165
Intergovernmental grants		46,202	63,462
Other deferrals		132,223	84,002
Short term debt:			
Intergovernmental		-	223,100
General obligation notes		-	74,000
Other current liabilities		18,412	29,813
Total liabilities		**1,111,427**	**1,472,852**
Fund Balances:			
Reserved for long term assets		33,403	33,403
Unreserved (deficit)		79,089	(365,760)
Total fund balances		**112,492**	**(332,357)**
Total liabilities and fund balances	**$**	**1,223,919**	**1,140,495**

Exhibit A-2

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended September 30, 1998 and 1997 ($000s)

	1998	1997
Revenues:		
Taxes	$ 2,815,900	2,577,344
Licenses and permits	48,123	45,490
Fines and forfeits	53,177	51,664
Charges for services:		
Public	60,018	68,226
Intergovernmental	4,169	4,782
Interfund	15,941	14,376
Miscellaneous:		
Public	146,631	112,090
Intergovernmental	13,328	16,018
Interfund	20,645	14,540
Intergovernmental:		
Payment in lieu of taxes	198,000	665,702
Operating grants	1,033,163	906,057
Total revenues	4,409,095	4,476,289
Expenditures:		
Current:		
Governmental direction and support	168,292	153,777
Economic development and regulation	181,839	154,754
Public safety and justice	550,876	994,555
Public education system	670,205	667,384
Human support services	1,728,752	1,602,026
Public works	262,145	259,490
Employee benefits addition (deduction)	(142,224)	39,772
Debt service:		
Principal	219,435	207,903
Interest	171,430	174,085
Fiscal charges	8,997	13,567
Total expenditures	3,819,747	4,267,313
EXCESS OF REVENUES OVER EXPENDITURES	589,348	208,976
Other Financing Sources (Uses):		
Proceeds (payment) of:		
General obligation bonds	476,972	71,703
Payment to refunded bond escrow agent:		
Refunded debt	(431,758)	(70,914)
Other charges	(34,765)	(1,483)
Sale of fixed assets	197	1,647
Sale/lease back	-	55,850
Transfers:		
Interfund transfers in	81,300	69,200
Interfund transfers out	(103,568)	(33,386)
Intragovernmental transfers out	(132,877)	(115,701)
Total other financing sources (uses)	(144,499)	(23,084)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	**444,849**	**185,892**
Fund Balances (Deficit) at October 1	(332,357)	(518,249)
Fund Balances (Deficit) at End of Period	$ 112,492	(332,357)

Exhibit A-3

GENERAL FUND

SCHEDULE OF EXPENDITURES AND USES FUNCTION AND OBJECT (GAAP BASIS)

Year Ended September 30, 1998
With Comparative Totals for Year Ended September 30, 1997
($000s)

Function and Subfunction	Personal Services	Contractual Services	Supplies	Occupancy	Miscel-laneous	Totals 1998	Totals 1997
Governmental Direction and Support:							
Legislative	$ 7,376	661	74	306	4,349	12,766	8,940
Executive	8,386	3,356	85	921	815	13,563	16,109
Finance	44,232	14,806	1,079	10,885	36,965	107,967	85,887
Personnel	8,792	669	66	655	810	10,992	10,849
Administrative	9,805	5,771	(54)	1,432	2,757	19,711	28,772
Elections	2,423	427	60	239	144	3,293	3,220
Total	81,014	25,690	1,310	14,438	45,840	168,292	153,777
Economic Development and Regulation:							
Community development	26,840	44,734	263	2,759	28,851	103,447	81,200
Public housing	-	(5)	-	-	1,748	1,743	6,507
Economic regulation	16,517	3,699	159	3,387	660	24,422	17,862
Employment services	27,046	4,778	281	2,673	17,449	52,227	49,185
Total	70,403	53,206	703	8,819	48,708	181,839	154,754
Public Safety and Justice:							
Police	262,377	17,435	3,431	6,235	9,239	298,717	398,384
Fire	103,429	2,233	2,163	2,293	2,780	112,898	144,966
Correction	53,938	15,466	4,486	4,165	18,715	96,770	271,474
Protection	2,350	375	89	244	145	3,203	3,128
Law	13,331	23,568	137	418	15,789	53,243	51,302
Judicial	(57)	909	70	5	(14,882)	(13,955)	125,301
Total	435,368	59,986	10,376	13,360	31,786	550,876	994,555
Public Education System:							
Schools	446,678	71,781	18,553	25,774	83,903	646,689	643,650
Culture	15,691	1,005	369	1,940	4,511	23,516	23,734
Total	462,369	72,786	18,922	27,714	88,414	670,205	667,384
Human Support Services:							
Health and welfare	229,643	184,302	10,912	36,996	1,030,481	1,492,334	1,504,069
Human relations	1,849	5,040	20	101	12,704	19,714	19,406
Employment benefits	186,512	-	-	-	-	186,512	50,875
Recreation	20,610	3,593	2,311	2,819	859	30,192	27,676
Total	438,614	192,935	13,243	39,916	1,044,044	1,728,752	1,602,026
Public Works	74,833	28,505	5,451	19,427	133,929	262,145	259,490
Employee Benefits Addition (Deduction):							
Governmental direction and support	(672)	-	-	-	-	(672)	299
Economic development and regulation	(81)	-	-	-	-	(81)	693
Public safety and justice	262	-	-	-	-	262	49,263
Public education system	(15)	-	-	-	-	(15)	(2,000)
Human support services	(141,442)	-	-	-	-	(141,442)	(9,162)
Public works	(276)	-	-	-	-	(276)	679
Total	(142,224)	-	-	-	-	(142,224)	39,772
Debt Service	-	-	-	-	399,862	399,862	395,555
Financing (Sources) Uses	-	-	-	-	144,499	144,499	23,084
Total expenditures and uses	$ 1,420,377	433,108	50,005	123,674	1,937,082	3,964,246	4,290,397

Exhibit A-4

GENERAL FUND

SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended September 30, 1998
($000s)

Source	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Revised		
Taxes:				
Property:				
Real	$ 642,700	648,200	616,935	(31,265)
Personal	62,500	65,800	68,475	2,675
Public space rental	12,600	12,600	10,030	(2,570)
Total	717,800	726,600	695,440	(31,160)
Sales and use:				
General	484,800	492,800	557,081	64,281
Alcoholic beverages	4,800	4,800	4,702	(98)
Cigarette	17,600	17,600	17,592	(8)
Hotel occupancy	5,700	5,700	9,287	3,587
Motor vehicles	30,000	30,000	29,838	(162)
Total	542,900	550,900	618,500	67,600
Income and franchise:				
Individual income	678,000	698,000	861,505	163,505
Corporation franchise	123,200	131,400	174,729	43,329
Unincorporated business	34,200	34,200	46,868	12,668
Total	835,400	863,600	1,083,102	219,502
Gross receipts:				
Public utility	138,400	144,300	141,069	(3,231)
Toll telecommunication	44,800	44,800	56,732	11,932
Insurance companies	34,800	34,800	37,096	2,296
Health care providers	-	-	1,740	1,740
Total	218,000	223,900	236,637	12,737
Other:				
Inheritance and estate	24,000	24,000	32,256	8,256
Recordation	28,900	28,900	53,863	24,963
Economic interest	1,000	1,000	11,166	10,166
Transfer	25,900	25,900	42,597	16,697
Total	79,800	79,800	139,882	60,082
Total taxes	2,393,900	2,444,800	2,773,561	328,761
Licenses and Permits:				
Business licenses	31,900	31,900	31,050	(850)
Nonbusiness permits	18,200	18,200	17,073	(1,127)
Total	50,100	50,100	48,123	(1,977)
Fines and Forfeits	41,700	41,700	53,177	11,477
Charges for Services:				
Court fees	-	-	338	338
Other	41,673	43,473	34,414	(9,059)
Total	41,673	43,473	34,752	(8,721)
Miscellaneous:				
Interest	14,900	14,900	32,478	17,578
Other	21,600	47,100	66,658	19,558
Total	36,500	62,000	99,136	37,136
Total revenues	**$ 2,563,873**	**2,642,073**	**3,008,749**	**366,676**

Exhibit A-5

GENERAL FUND

SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS

Year Ended September 30, 1998
($000s)

	Local Source				Federal Grants				Private and Other				Total			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:																
Taxes	$ 2,393,900	2,444,800	2,773,561	328,761	-	-	-	-	-	-	-	-	2,393,900	2,444,800	2,773,561	328,761
Licenses and permits	50,100	50,100	48,123	(1,977)	-	-	-	-	-	-	-	-	50,100	50,100	48,123	(1,977)
Fines and forfeits	41,700	41,700	53,177	11,477	-	-	-	-	-	-	-	-	41,700	41,700	53,177	11,477
Charges for services	41,673	43,473	34,752	(8,721)	-	-	-	-	-	-	-	-	41,673	43,473	34,752	(8,721)
Miscellaneous	36,500	62,000	99,136	37,136	-	-	-	-	133,301	123,998	116,954	(7,044)	169,801	185,998	216,090	30,092
Intergovernmental	198,000	198,000	198,000	-	1,072,455	1,098,408	1,011,510	(86,898)	-	-	-	-	1,270,455	1,296,408	1,209,510	(86,898)
General obligation bonds	-	-	-	-	-	-	-	-	-	-	476,972	476,972	-	-	476,972	476,972
Surplus property sales	-	-	52,197	52,197	-	-	-	-	-	-	-	-	-	-	52,197	52,197
Transfers	74,200	79,400	81,300	1,900	-	-	-	-	-	-	-	-	74,200	79,400	81,300	1,900
Revenue initiatives	18,900	-	-	-	-	-	-	-	-	-	-	-	18,900	-	-	-
Total Revenues and Sources	2,854,973	2,919,473	3,340,246	420,773	1,072,455	1,098,408	1,011,510	(86,898)	133,301	123,998	593,926	469,928	4,060,729	4,141,879	4,945,682	803,803
Expenditures and Uses:																
Governmental direction and support	84,316	146,307	141,522	4,785	14,013	6,708	4,879	1,829	6,848	8,806	7,427	1,379	105,177	161,821	153,828	7,993
Economic development and regulation	40,377	52,370	47,825	4,545	42,065	43,823	40,198	3,625	37,630	25,733	22,558	3,175	120,072	121,926	110,581	11,345
Public safety and justice	510,326	554,393	546,058	8,335	13,519	12,253	9,939	2,314	5,894	7,759	8,272	(513)	529,739	574,405	564,269	10,136
Public education system	530,197	597,418	597,175	243	112,806	127,736	117,252	10,484	29,441	27,058	20,142	6,916	672,444	752,212	734,569	17,643
Human support services	789,350	805,137	771,017	34,120	886,702	905,592	854,561	51,031	42,887	46,884	39,541	7,343	1,718,939	1,757,613	1,665,119	92,494
Public works	227,983	245,805	239,795	6,010	3,350	2,296	1,742	554	10,601	7,758	7,605	153	241,934	255,859	249,142	6,717
Washington Convention Center payment	5,400	5,400	5,400	-	-	-	-	-	-	-	-	-	5,400	5,400	5,400	-
Repay bonds and interest	384,430	373,002	347,358	25,644	-	-	-	-	-	-	-	-	384,430	373,002	347,358	25,644
Repay deficit bonds and interest	39,020	39,020	38,309	711	-	-	-	-	-	-	-	-	39,020	39,020	38,309	711
Interest on short term borrowing	12,000	18,687	18,686	1	-	-	-	-	-	-	-	-	12,000	18,687	18,686	1
Inaugural services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of participation	7,923	7,923	7,926	(3)	-	-	-	-	-	-	-	-	7,923	7,923	7,926	(3)
Human resources development	6,000	6,000	3,457	2,543	-	-	-	-	-	-	-	-	6,000	6,000	3,457	2,543
Financial Responsibility Authority	3,220	3,220	3,220	-	-	-	-	-	-	-	-	-	3,220	3,220	3,220	-
Total Expenditures and Uses	2,640,542	2,854,682	2,767,748	86,934	1,072,455	1,098,408	1,028,571	69,837	133,301	123,998	105,545	18,453	3,846,298	4,077,088	3,901,864	175,224
Subtotal	214,431	64,791	572,498	333,839	-	-	(17,061)	(156,735)	-	-	488,381	451,475	214,431	64,791	1,043,818	628,579
PL 105-100 Deficit Reduction and Revitalization (Additions) Deductions	(201,090)	(30,186)	-	(30,186)	-	-	-	-	-	-	-	-	(201,090)	(30,186)	-	(30,186)
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	$ 13,341	34,605	572,498	537,893	-	-	(17,061)	(17,061)	-	-	488,381	488,381	13,341	34,605	1,043,818	598,393

SPECIAL REVENUE FUND

The **Financial Responsibility Authority Fund** is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority, a Federally appointed board created to provide temporary fiscal assistance to alleviate the District's fiscal distress. The fund is financed primarily from interest on cash and investments held in the Financial Responsibility Authority Agency Fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. Fixed assets are accounted for through the General Fixed Assets Account Group. Long term liabilities are accounted for through the General Long Term Liabilities Account Group.

Exhibit B-1

FINANCIAL RESPONSIBILITY AUTHORITY SPECIAL REVENUE FUND

COMPARATIVE BALANCE SHEETS

September 30, 1998 and 1997
($000s)

	1998	1997
ASSETS		
Current Assets:		
Cash and investments	$ 933	3,591
Receivables (net of allowances for uncollectibles):		
Interfund	914	1,466
Total assets	**$ 1,847**	**5,057**
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables:		
Accounts	$ -	2,016
Compensation	348	226
Interfund	-	1,752
Deferred revenue	19	28
Other current liabilities	510	65
Total liabilities	**877**	**4,087**
Fund Balance:		
Unreserved	970	970
Total fund balances	**970**	**970**
Total liabilities and fund balances	**$ 1,847**	**5,057**

Exhibit B-2

FINANCIAL RESPONSIBILITY AUTHORITY SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended September 30, 1998 and 1997 ($000s)

	1998	1997
Revenues:		
Charges for services:		
Interfund	$ 4,658	2,016
Miscellaneous:		
Interest	170	251
Other	-	-
Total revenues	4,828	2,267
Expenditures:		
Current:		
Governmental direction and support		
Personal services	3,270	2,987
Contractual services	9,714	4,091
Supplies	27	-
Occupancy	359	296
Miscellaneous	1,001	970
Total expenditures	14,371	8,344
EXCESS OF REVENUES OVER EXPENDITURES	(9,543)	(6,077)
Other Financing Sources:		
Proceeds of:		
Sale of fixed assets	-	300
Capital lease	-	272
Transfers:		
Interfund transfers in	9,543	6,030
Total other financing sources	9,543	6,602
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	**525**
Fund Balances at October 1	**970**	**445**
Fund Balances at End of Period	**$ 970**	**970**

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the purchase or construction of fixed assets which are wholly or partly financed by capital grants, dedicated taxes or general long term debt, other than those financed by the Water and Sewer Unit. The Capital Projects Fund is not used to account for the purchase of general fixed assets which are financed wholly by an individual fund or unit.

Fixed assets are capitalized in the General Fixed Assets Account Group or in the proprietary fund or component unit to which they apply. Expenditures for items which are below the minimum cost or life of a fixed asset unit are not capitalized.

Exhibit C-1

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

September 30, 1998 and 1997
($ 000s)

	1998	1997
ASSETS		
Current Assets:		
Cash	$ 88,820	50,588
Receivables:		
Accounts	1,510	-
Intergovernmental	18,043	20,013
Interfund	296,916	154,708
Total assets	**$ 405,289**	**225,309**
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables:		
Accounts	78,351	36,490
Interfund	-	-
Deferred revenue	102,948	45,595
Short term debt - intergovernmental	-	3,995
Total liabilities	**181,299**	**86,080**
Fund Balances:		
Reserved for:		
Encumbrances	178,622	148,678
Net Restricted Assets	43,160	30,047
Unreserved (deficit)	2,208	(39,496)
Total fund balances	223,990	139,229
Total liabilities and fund balances	**$ 405,289**	**225,309**

Exhibit C-2

CAPITAL PROJECTS FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended September 30, 1998 and 1997
($ 000s)

	1998	1997
Revenues:		
Interest	2,238	5,633
Capital Grants	110,891	93,093
Other	773	-
	113,902	98,726
Expenditures		
Capital outlay:		
General fixed assets	260,837	210,338
Component units fixed assets	3,696	1,048
Total expenditures	264,533	211,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,631)	(112,660)
Other Financing Sources:		
General obligation bond proceeds	206,135	326,120
Interfund transfers in - General Fund	29,257	28,331
Total other financing sources	235,392	354,451
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	**84,761**	**241,791**
Fund Balances (Deficit) at October 1	**139,229**	**(102,562)**
Fund Balances (Deficit) at September 30	**$ 223,990**	**139,229**

Exhibit C-3

CAPITAL PROJECTS FUND

SCHEDULE OF CONSTRUCTION IN PROGRESS

September 30, 1998
($000s)

Function and Subfunction	Number of Projects	Author-izations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance
GENERAL						
Governmental Direction and Support:						
Finance	2	$ 35,275	1,629	16,220	17,849	17,426
Administrative	2	10,301	533	4,471	5,004	5,297
Total	4	45,576	2,162	20,691	22,853	22,723
Public Safety and Justice:						
Police	2	4,522	31	13	44	4,478
Fire					-	-
Protection	1	2,301	535	959	1,494	807
Judicial			-		-	-
Total	3	6,823	566	972	1,538	5,285
Public Education System:						
Culture	1	7	-	7	7	-
Human Support Services:						
Health and welfare	5	21,838	26	7,166	7,192	14,646
Human relations	1	954	102	25	127	827
Recreation	2	13,705	230	414	644	13,061
Total	8	36,497	358	7,605	7,963	28,534
Public Works:						
Government buildings	11	38,140	1,880	1,661	3,541	34,599
Total	11	38,140	1,880	1,661	3,541	34,599
Total general	**27**	**$ 127,043**	**4,966**	**30,936**	**35,902**	**91,141**
COMPONENT UNITS						
Water and Sewer:						
Water	9	33,544	8,386	12,017	20,403	13,141
Sewer	20	240,635	51,459	25,143	76,602	164,033
Total water and sewer	29	274,179	59,845	37,160	97,005	177,174
Convention Center	2	27,564	16,882	10,682	27,564	-
Public Benefit Corporation	1	1,076	202		202	874
Total component units	**32**	**$ 302,819**	**76,929**	**47,842**	**124,771**	**178,048**

ENTERPRISE FUND

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are or could be financed or recovered primarily through user charges.

The **Lottery and Games Fund** is used to account for revenues from lotteries and daily numbers games operated by the District and from licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gambling activities are administered by a Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council. All moneys made available to the Lottery and Games Fund by the General Fund must be derived from non-Federal revenues.

Exhibit D-1

LOTTERY AND GAMES ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

September 30, 1998 and 1997
($000s)

	1998	1997
ASSETS		
Current Assets:		
Cash and investments	$ 13,925	15,348
Receivables (net of allowances for uncollectibles):		
Accounts	1,643	2,248
Inventories	455	165
Other current assets	5	166
Total current assets	16,028	17,927
Long Term Assets:		
Other long term assets	93,103	79,570
Fixed Assets:		
Property and equipment	3,048	2,988
Less-accumulated depreciation	2,521	2,200
Net fixed assets	527	788
Total assets	**$ 109,658**	**98,285**
LIABILITIES AND EQUITY		
Current Liabilities:		
Payables:		
Accounts	$ 2,869	7,384
Compensation	586	442
Accrued liabilities	9,775	6,725
Deferred revenue	131	165
Other current liabilities	42	948
Total current liabilities	13,403	15,664
Long Term Liabilities:		
Other long term liabilities	93,103	79,570
Total long term liabilities	93,103	79,570
Total Liabilities	**106,506**	**95,234**
Equity:		
Retained earnings	3,152	3,051
Total equity	**3,152**	**3,051**
Total liabilities and equity	**$ 109,658**	**98,285**

Exhibit D-2

LOTTERY AND GAMES ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Years Ended September 30, 1998 and 1997
($000s)

	1998	1997
Operating Revenues:		
Charges for services:		
Gross charges:		
Public	$ 226,429	202,900
Deductions from gross charges:		
Public	122,660	112,624
Total operating revenues	103,769	90,276
Operating Expenses:		
Personal services	4,531	4,105
Contractual services	18,100	16,302
Supplies	76	55
Occupancy	2,006	1,893
Depreciation	321	400
Miscellaneous	1,114	656
Total operating expenses	26,148	23,411
OPERATING INCOME	77,621	66,865
Nonoperating Revenues:		
Interest revenue	3,709	2,417
Miscellaneous	71	52
Total nonoperating revenues	3,780	2,469
INCOME BEFORE TRANSFERS	81,401	69,334
Interfund Transfers In (Out):		
General Fund	(81,300)	(69,200)
NET INCOME	**101**	**134**
Retained Earnings at October 1	**3,051**	**2,917**
Retained Earnings at September 30	**$ 3,152**	**3,051**

Exhibit D-3

LOTTERY AND GAMES ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended September 30, 1998 and 1997
($000s)

	1998	1997
Operating Activities:		
Cash receipts from customers	$ 227,000	205,109
Other cash receipts	71	52
Cash payments to vendors	(26,846)	(18,052)
Cash payments to employees	(4,387)	(4,484)
Other cash payments, including prizes	(119,610)	(107,048)
Net cash provided	76,228	75,577
Capital and Related Financing Activities:		
Acquisitions of fixed assets	(60)	(20)
Net cash provided (used)	(60)	(20)
Noncapital Financing Activities:		
Interfund transfers out	(81,300)	(69,200)
Net cash provided (used)	(81,300)	(69,200)
Investing Activities:		
Receipts of interest and dividends	3,709	2,417
Net cash provided	3,709	2,417
INCREASE IN CASH	**(1,423)**	**8,774**
Cash and Investments at October 1	**15,348**	**6,574**
Cash and Investments at September 30	**$ 13,925**	**15,348**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 77,621	66,865
Depreciation	321	400
Miscellaneous nonoperating revenues	71	52
Loss on dispositions of fixed assets	-	-
Decrease (increase) in assets:		
Receivables	715	2,110
Allowances for uncollectibles	(110)	159
Inventories	(290)	183
Other current assets	161	(157)
Increase (decrease) in liabilities:		
Payables	(4,371)	5,732
Accrued liabilities	3,050	(576)
Deferred revenue	(34)	(60)
Other current liabilities	(906)	869
Net cash provided	$ 76,228	75,577
Noncash contributions of capital	$ -	-

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the District in a trustee capacity. Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments or other funds.

The **Unemployment Compensation Trust Fund** is used to account for the accumulation of resources to be used for benefit payments to unemployed former employees of the District and Federal governments and private employers in the District. Resources are contributed by private employers at rates fixed by law and by the District and Federal governments on a reimbursable basis. The fund is administered by the Office of Unemployment Compensation in the Department of Employment Services. The fund does not have a separate governing body. The administrative costs of the office are accounted for in the General Fund.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for judges, police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and Federal governments at amounts determined by an annual actuarial study and the Retirement Reform Act. The funds are administered by a thirteen member Retirement Board, three of whom are appointed by the Mayor, three by the Council, one retired judge, and one each active and retired police officers, fire fighters and teachers. The administrative costs of the board are accounted for in the funds.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow and other assets held in custody by the District or Financial Responsibility Authority as an agent for individuals, private organizations, other governments or other funds.

Exhibit E-1

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

September 30, 1998
With Comparative Totals for September 30, 1997
($000s)

	Trust		Agency		Totals	
	Expendable Unemployment Compensation	Pension	Financial Responsibility Authority	District	1998	1997
ASSETS						
Current Assets:						
Cash and investments	$ 173,734	1,482,968	319,999	108,924	2,085,625	6,201,046
Receivables (net of allowances for uncollectibles):						
Taxes	11,109	-	-	-	11,109	11,415
Accounts	2,060	2,278	-	1,835	6,173	26,694
Intergovernmental	7	-	-	-	7	300,625
Interfund	1,987	-	72,173	-	74,160	4,915
Other current assets	-	-	-	7,555	7,555	9,714
Total assets	$ 188,897	1,485,246	392,172	118,314	2,184,629	6,554,409
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables:						
Accounts	$ 532	94,045	696	65,605	160,878	837,695
Intragovernmental	-	-	5,646	-	5,646	12,265
Interfund	-	1,614	385,830	-	387,444	207,953
Other current liabilities	4,654	-	-	52,709	57,363	299,092
Total liabilities	**5,186**	**95,659**	**392,172**	**118,314**	**611,331**	**1,357,005**
Fund Balances:						
Reserved for net restricted assets	183,711	1,389,587	-	-	1,573,298	5,197,404
Total liabilities and fund balances	$ 188,897	1,485,246	392,172	118,314	2,184,629	6,554,409

Exhibit E-2

UNEMPLOYMENT COMPENSATION EXPENDABLE TRUST FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended September 30, 1998 and 1997
($000s)

	1998	1997
Revenues:		
Taxes	$ 90,617	97,179
Benefit contributions:		
Intergovernmental	6,791	12,479
Interfund	6,390	11,151
Miscellaneous:		
Investment income	10,069	7,546
Total revenues	113,867	128,355
Expenditures:		
Current:		
Human support services:		
Benefit payments	76,995	103,731
Total expenditures	76,995	103,731
EXCESS OF REVENUES OVER EXPENDITURES	**36,872**	**24,624**
Fund Balances at October 1	**146,839**	**122,215**
Fund Balances at September 30	**$ 183,711**	**146,839**

Exhibit E-3

PENSION TRUST FUNDS

COMBINING STATEMENT OF PLAN NET ASSETS

September 30, 1998
With Comparative Totals for September 30, 1997
($000s)

	Fund		Totals	
	Police and Fire	Teachers	1998	1997
ASSETS				
Assets:				
Cash and investments	$ 882,858	600,110	1,482,968	5,511,391
Receivables (net of allowances for uncollectibles):				
Accounts	747	1,531	2,278	22,574
Intergovernmental	-	-	-	300,264
Interfund	-	-	-	-
Total assets	**883,605**	**601,641**	**1,485,246**	**5,834,229**
Liabilities:				
Payables:				
Accounts	55,686	38,359	94,045	771,921
Interfund	689	925	1,614	11,743
Total liabilities	**56,375**	**39,284**	**95,659**	**783,664**
Net Assets:				
Held in trust for pension benefits	**$ 827,230**	**562,357**	**1,389,587**	**5,050,565**

Exhibit E-4

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

Years Ended September 30, 1998 and 1997
($000s)

	Fund		Totals	
	Police and Fire	Teachers	1998	1997
Additions:				
Benefit contributions:				
Interfund	$ 47,700	9,700	57,400	320,930
Employees	14,953	20,385	35,338	33,779
Miscellaneous - intergovernmental interest	-	-	-	19,643
Investing:				
Investment income	29,756	21,109	50,865	166,633
Net depreciation in fair value of investments	(13,806)	(9,756)	(23,562)	861,664
Less - investment expenses	4,114	3,225	7,339	33,353
Total additions	74,489	38,213	112,702	1,369,296
Deductions:				
Personal services	393	211	604	674
Contractual services	696	374	1,070	1,545
Supplies	5	3	8	46
Occupancy	175	94	269	78
Benefit payments:				
Benefits	400	200	600	388,815
Contribution refunds	75	479	554	570
Miscellaneous	16	8	24	42
Total deductions	1,760	1,369	3,129	391,770
NET INCREASE	**72,729**	**36,844**	**109,573**	**977,526**
Net assets held in trust for pension benefits:				
October 1	**754,501**	**525,513**	**1,280,014**	**4,073,039**
September 30	**$ 827,230**	**562,357**	**1,389,587**	**5,050,565**

Exhibit E-5

FINANCIAL RESPONSIBILITY AUTHORITY AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS

Year Ended September 30, 1998
($000s)

	Fund								
	General	Police	Short Term Debt Proceeds	Bond Proceeds	Public Schools	Water and Sewer	Convention Center	University	Total
Balance October 1, 1997	$ 40,029	9,520	1,723	89,066	55,736	285	-	11,980	208,339
Additions:									
Federal appropriation	193,000					-	-		193,000
Short term debt			401,401						401,401
Long term debt				207,246		78,273	515,601		801,120
Management reform	8,000								8,000
Capital improvement funds					5,000				5,000
Radio station sale								464	464
School sale	1,972				1,027				2,999
Interfund receivable receipt	1,752								1,752
Interfund receivable	37,359			64,687	1,972				104,018
Interest	3,692	402	1,703	9,184	2,775	59	-	259	18,074
Total additions	245,775	402	403,104	281,117	10,774	78,332	515,601	723	1,535,828
Deductions:									
Interfund receivable	1,752			64,509					66,261
Principal	213,094	4,248	392,793	43,083	27,526	78,538	515,601	7,081	1,281,964
Interest	2,894	106	336	178	201	55	-		3,770
Total deductions	217,740	4,354	393,129	107,770	27,727	78,593	515,601	7,081	1,351,995
Balance September 30, 1998	$ 68,064	5,568	11,698	262,413	38,783	24	-	5,622	392,172

Exhibit E-6

DISTRICT AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 1998
($000s)

	Balance October 1, 1997	Additions	Deductions	Balance September 30, 1998
ASSETS				
Current Assets:				
Cash and investments	$ 117,628	148,804	157,508	108,924
Accounts receivable	1,835	-	-	1,835
Other current assets	9,714	492,776	494,935	7,555
Total assets	$ 129,177	641,580	652,443	118,314
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 64,506	13,078	11,979	65,605
Other current liabilities	64,671	26,911	38,873	52,709
Total liabilities	$ 129,177	39,989	50,852	118,314

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DISCRETELY PRESENTED COMPONENT UNITS

Component units are legally separate organizations for which the elected officials of the District are financially accountable. Accountability exists because the governing bodies of all the component units are appointed by the Mayor with the consent of the Council. In addition, the District has an obligation to provide financial support to the general hospital, housing finance and university. The District must approve certain financial transactions of the convention center and sports commission, and certain tax revenues are dedicated to these organizations. All the component units use proprietary fund type accounting. The financial data of the component units are reported separately from the financial data of the primary government.

The **Public Benefit Corporation** is used to account for the costs of providing comprehensive community-centered health care for the benefit of the residents of the District of Columbia. The Corporation assumed the health care functions previously provided by the D.C. General Hospital and the community clinics of the Commission of Public Health of the Department of Human Services. The Corporation is governed by a Board of Directors consisting of twelve members; six members appointed by the Mayor and five members appointed by the Council.

The **Water and Sewer Unit** is used to account for the provision of water and sewer services to residents of the District, suburban Maryland and northern Virginia. All activities necessary to provide such services are accounted for in this unit, including administration, operations, maintenance, debt service, billing and collecting. Depreciation on fixed assets acquired through capital grants is closed to Contributed Capital. The fund is governed by 11 directors, six appointed by the Mayor with the consent of the Council and five appointed by the Mayor upon recommendation by the other participating jurisdictions.

The **Convention Center Unit** is used to account for maintaining and operating the Washington Convention Center for local public shows and exhibitions, civic and community events and gatherings, athletic and cultural events, entertainment and other activities. The convention center is governed by nine directors consisting of the Chief Financial Officer of the District, the Director of the Office of Tourism and Promotions, and seven directors appointed by the Mayor with the consent of the Council.

The **Sports Commission Unit** is used to account for maintaining and operating the National Guard Armory for major athletic events, conventions, concerts and other activities; and for maintaining and operating the Robert F. Kennedy Memorial Stadium for athletic and other events. The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities; and may own and operate a professional sports franchise. The sports commission is governed by 11 directors, consisting of the Chief Financial Officer of the District, the Director of the Department of Recreation and Parks, a District government official appointed by the Mayor and 8 directors appointed by the Mayor with the consent of the Council.

The **Housing Finance Unit** is used to account for cash received from public and private sources to be used for increasing the supply and lowering the cost of money available for residential mortgages and construction loans in order to help alleviate the shortage of adequate housing. Mortgage lenders and the fund make mortgage, construction and rehabilitation loans for single and multifamily rental and home ownership units designed to expand available housing opportunities, achieve neighborhood and fiscal stability, and affect residential economic diversity. The fund is administered by a Housing Finance Agency Board of Directors comprised of five members appointed by the Mayor with the consent of the Council.

The **University Unit** is used to account for the resources received and used by the University of the District of Columbia which is a land-grant institution offering higher education to the public. The university is governed by a Board of Trustees. Eleven members of the board are appointed by the Mayor with the consent of the Council, one member is a full-time student, and three members are appointed by the alumni associations. Depreciation on fixed assets is closed to Contributed Capital.

Exhibit F-1

COMPONENT UNITS

COMBINING BALANCE SHEET

September 30, 1998
With Comparative Totals for September 30, 1997
($000s)

	Public Benefit Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals 1998	Totals 1997
ASSETS								
Current Assets:								
Cash and investments	$ -	55,748	618,269	19,620	379,750	19,846	1,093,233	589,957
Receivables (net of allowances for uncollectibles):								
Accounts	18,216	127,053	1,097	532	8,803	6,665	162,366	104,803
Intergovernmental	-	15,383	-	-	-	3,113	18,496	32,242
Intragovernmental	-	46,115	3,671	-	-	5,622	55,408	70,948
Inventories	2,559	12,259	-	-	-	-	14,818	19,651
Other current assets	-	75,614	155	42	305	2,035	78,151	2,453
Total current assets	20,775	332,172	623,192	20,194	388,858	37,281	1,422,472	820,054
Long Term Assets:								
Loans receivable	-	-	-	-	222,800	-	222,800	220,343
Intergovernmental receivables	-	21,177	-	-	-	-	21,177	29,188
Deferred charges	-	23,878	17,678	-	6,206	-	47,762	10,976
Total long term assets	-	45,055	17,678	-	229,006	-	291,739	260,507
Fixed Assets:								
Property and equipment	141,885	1,621,986	156,918	32,250	3,399	158,798	2,115,236	2,043,361
Less-accumulated depreciation	98,150	485,096	37,941	24,229	965	83,048	729,429	691,025
Net fixed assets	43,735	1,136,890	118,977	8,021	2,434	75,750	1,385,807	1,352,336
Total assets	**$ 64,510**	**1,514,117**	**759,847**	**28,215**	**620,298**	**113,031**	**3,100,018**	**2,432,897**
LIABILITIES AND EQUITY								
Current Liabilities:								
Payables:								
Accounts	$ 8,750	23,668	5,160	533	1,491	3,844	43,446	55,665
Compensation	17,548	6,594	733	326	-	4,647	29,848	22,855
Intergovernmental	-	-	-	-	-	-	-	532
Intragovernmental	41,905	-	-	2,177	-	-	44,082	87,177
Accrued liabilities	-	42,480	-	-	8,722	6,048	57,250	37,928
Deferred revenue	171	41,040	1,012	-	13,680	5,554	61,457	50,407
Current maturities	-	14,052	-	-	-	-	14,052	21,651
Other current liabilities	1,357	876	325	196	-	-	2,754	19,467
Total current liabilities	69,731	128,710	7,230	3,232	23,893	20,093	252,889	295,682
Long Term Liabilities:								
Long term debt:								
Intergovernmental notes payable	-	9,643	-	-	-	-	9,643	8,816
General obligation bonds payable	-	100,361	-	-	-	-	100,361	251,633
Loans payable	-	280,870	524,460	-	555,512	-	1,360,842	644,675
Other long term liabilities	-	348,577	-	-	2,400	-	350,977	341,896
	-	739,451	524,460	-	557,912	-	1,821,823	1,247,020
Total liabilities	**69,731**	**868,161**	**531,690**	**3,232**	**581,805**	**20,093**	**2,074,712**	**1,542,702**
Equity:								
Contributed capital	119,816	398,441	95,941	15,715	-	74,912	704,825	705,523
Retained earnings (deficit)	(125,037)	247,515	132,216	9,268	38,493	18,026	320,481	184,672
Total equity	**(5,221)**	**645,956**	**228,157**	**24,983**	**38,493**	**92,938**	**1,025,306**	**890,195**
Total liabilities and equity	**$ 64,510**	**1,514,117**	**759,847**	**28,215**	**620,298**	**113,031**	**3,100,018**	**2,432,897**

Exhibit F-2

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended September 30, 1998
With Comparative Totals for Year Ended September 30, 1997
($000s)

	Public Benefit Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	Univer-sity	Totals 1998	Totals 1997
Operating Revenues:								
Charges for services:								
Public	$ 76,198	219,185	9,443	8,121	-	9,628	322,575	235,886
Intergovernmental	35,246	36,211	-	-	-	-	71,457	43,931
Intragovernmental	16,114	-	-	-	-	7,334	23,448	90,801
Miscellaneous:								
Interest on loans	-	-	-	-	29,611	-	29,611	22,383
Total operating revenues	127,558	255,396	9,443	8,121	29,611	16,962	447,091	393,001
Operating Expenses:								
Personal services	105,953	53,956	9,207	2,921	1,524	40,634	214,195	208,207
Contractual services	19,801	45,747	7,870	1,146	-	11,120	85,684	109,131
Supplies	13,302	17,482	361	56	-	682	31,883	31,018
Occupancy	4,478	21,173	1,799	654	-	7,570	35,674	33,603
Depreciation	6,316	26,278	2,310	1,016	107	5,925	41,952	40,044
Miscellaneous	1,111	44,145	399	928	22,920	8,843	78,346	55,610
Total operating expenses	150,961	208,781	21,946	6,721	24,551	74,774	487,734	477,613
OPERATING INCOME (LOSS)	(23,403)	46,615	(12,503)	1,400	5,060	(57,812)	(40,643)	(84,612)
Nonoperating Revenues (Expenses):								
Intergovernmental	-	-	-	-	25,634	8,099	33,733	31,308
Interest revenue	-	22,187	6,876	-	13,895	1,315	44,273	25,214
Interest expense	-	(13,070)	-	-	(36,612)	-	(49,682)	(48,874)
Fiscal charges	-	(2,391)	-	-	-	-	(2,391)	(644)
Miscellaneous	-	3,218	-	-	-	5,866	9,084	17,727
Total nonoperating revenues	-	9,944	6,876	-	2,917	15,280	35,017	24,731
INCOME (LOSS) BEFORE TRANSFERS	(23,403)	56,559	(5,627)	1,400	7,977	(42,532)	(5,626)	(59,881)
Intragovernmental Transfers In:								
General Fund	42,873	-	47,113	-	-	41,391	131,377	115,701
NET INCOME (LOSS)	**19,470**	**56,559**	**41,486**	**1,400**	**7,977**	**(1,141)**	**125,751**	**55,820**
Depreciation closed to Contributed Capital	-	4,133	-	-	-	5,925	10,058	8,049
INCREASE (DECREASE) IN RETAINED EARNINGS	**19,470**	**60,692**	**41,486**	**1,400**	**7,977**	**4,784**	**135,809**	**63,869**
Retained Earnings (Deficit) at October 1	(144,507)	186,823	90,730	7,868	30,516	13,242	184,672	120,803
Retained Earnings (Deficit) at September 30	$ (125,037)	247,515	132,216	9,268	38,493	18,026	320,481	184,672

Exhibit F-3

COMPONENT UNITS

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 1998
With Comparative Totals for Year Ended September 30, 1997
($000s)

	Public Benefit Corporati	Water and Sewer	Convention Center	Sports Commission	Housing Finance	Univer-sity	Totals 1998	Totals 1997
Operating Activities:								
Cash receipts from customers	$ 129,252	216,954	8,842	7,998	-	8,399	371,445	266,775
Cash receipts from loans and interest	-	-	-	-	28,566	-	28,566	15,107
Other cash receipts	16,114	3,218	-	-	1,011	13,200	33,543	111,153
Cash payments to vendors	(50,161)	(191,424)	(7,876)	(3,499)	(22,950)	(25,076)	(300,986)	(196,122)
Cash payments to employees	(98,571)	(53,290)	(9,216)	(2,922)	(1,524)	(41,679)	(207,202)	(206,396)
Other cash payments	-	-	-	-	-	-	-	(397)
Net cash provided (used)	(3,366)	(24,542)	(8,250)	1,577	5,103	(45,156)	(74,634)	(9,880)
Capital and Related Financing Activities:								
Acquisitions of fixed assets	(700)	(67,175)	(12,458)	(99)	(2,395)	(883)	(83,710)	(65,417)
Proceeds of long term bonds	-	280,870	524,460	-	-	-	805,330	-
Payments of long term debt	-	(159,201)	-	-	-	-	(159,201)	(22,487)
Payments of interest and charges	-	(35,941)	(17,678)	-	-	-	(53,619)	(15,245)
Contributions of capital	-	2,243	-	-	-	883	3,126	5,119
Net cash provided (used)	(700)	20,796	494,324	(99)	(2,395)	-	511,926	(98,030)
Noncapital Financing Activities:								
Operating grant receipts	-	-	-	-	25,634	7,943	33,577	32,263
Intragovernmental transfers in	42,873	-	47,113	-	-	41,391	131,377	115,701
Proceeds of loans payable	-	-	-	-	106,795	-	106,795	245,513
Payments of loans payable	-	-	-	-	(195,958)	-	(195,958)	(92,147)
Payments of interest and charges	-	-	-	-	(36,936)	6,358	(30,578)	(42,412)
Other long term payments	-	8,011	-	-	-	-	8,011	(7,858)
Receipts from other funds	(43,095)	8,787	395	-	2,400	-	(31,513)	(52,279)
Net cash provided (used)	(222)	16,798	47,508	-	(98,065)	55,692	21,711	198,781
Investing Activities:								
Receipts of interest and dividends	-	22,187	6,876	-	13,895	1,315	44,273	21,845
Net cash provided	-	22,187	6,876	-	13,895	1,315	44,273	21,845
INCREASE (DECREASE) IN CASH	**(4,288)**	**35,239**	**540,458**	**1,478**	**(81,462)**	**11,851**	**503,276**	**112,716**
Cash and Investments at October 1	**4,288**	**20,509**	**77,811**	**18,142**	**461,212**	**7,995**	**589,957**	**473,872**
Cash and Investments at September 30	**$ -**	**55,748**	**618,269**	**19,620**	**379,750**	**19,846**	**1,093,233**	**586,588**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:								
Operating income (loss)	$ (23,403)	46,615	(12,503)	1,400	5,060	(57,812)	(40,643)	(84,612)
Depreciation	6,316	26,278	2,310	1,016	107	5,925	41,952	40,044
Miscellaneous nonoperating revenues	-	3,218	-	-	-	5,866	9,084	17,727
Loss on dispositions of fixed assets	23	241	(15)	-	-	-	249	(908)
Decrease (increase) in assets:								
Receivables	22,951	(31,082)	(394)	(128)	2,163	(4,180)	(10,670)	(40,589)
Allowances for uncollectibles	(4,356)	(9,964)	162	5	-	2,233	(11,920)	13,359
Inventories	(1,021)	5,854	-	-	-	-	4,833	607
Other current assets	-	(75,614)	(152)	(3)	(206)	277	(75,698)	(2,314)
Loans receivable	-	-	-	-	(2,457)	-	(2,457)	(5,805)
Increase (decrease) in liabilities:								
Payables	1,503	(5,289)	2,234	(259)	(30)	(2,331)	(4,172)	10,901
Accrued liabilities	-	16,338	-	-	-	4,148	20,486	17,549
Deferred revenue	(787)	10,870	(217)	-	466	718	11,050	6,885
Other current liabilities	(4,592)	(12,007)	325	(454)	-	-	(16,728)	17,276
Net cash provided (used)	$ (3,366)	(24,542)	(8,250)	1,577	5,103	(45,156)	(74,634)	(9,880)
Noncash contributions of capital	$ -	-	-	-	-	3,711	3,711	1,048

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information spread throughout the financial statements and to present additional information not disclosed in GAAP financial statements.

A supporting budgetary schedules are presented to demonstrate budgetary compliance with the legally adopted operating budget that includes the General Fund, enterprise fund, component units, and the administrative costs of the Pension Trust.

Supporting schedules of financial operation and activity, which exclude pension trust funds, are aggregated using the flow of financial resources measurement focus and the accrual basis of accounting. With this measurement focus, all capital asset and debt transactions are presented in the schedules and depreciation of fixed assets is not reported as an expense. General Fund and special revenue fund purchases of equipment are included in functional expenditures. Under the accrual basis of accounting, revenues are presented when earned and expenditures, except accreted interest, are presented when the related liabilities are incurred. The results of operations are reclassified in conformity with GAAP in order to provide a reconciliation with the general purpose financial statements.

A supporting schedule presents the comparative cash flows of the General Fund, reconciled to the operating excess (deficiency).

Exhibit G-1

FINANCIAL REPORTING ENTITY

COMBINED SCHEDULE OF BUDGETARY BASIS EXPENDITURES
(Excludes PL105-100 Deficit Reduction Adjustments)

Year Ended September 30, 1998
($000s)

	Budget			
	Original	Revised	Actual	Variance
Government Direction and Support:				
City Council	$ 8,575	8,575	8,342	233
DC Auditor	919	919	808	111
Advisory Neighborhood Commissions	562	562	562	-
Mayor	1,392	1,896	1,875	21
Executive Secretary	1,591	1,982	1,980	2
Inspector General	5,731	6,251	6,205	46
Communications	90	328	328	-
Intergovernmental Relations	670	1,137	1,107	30
City Administrator	3,722	1,048	1,011	37
Personnel	9,118	10,635	8,961	1,674
Administrative Services	7,921	37,469	35,958	1,511
Contract Appeals	634	564	562	2
Chief Financial Officer	22,970	84,404	80,474	3,930
Budget and Planning	2,001	-	-	-
Financial Operations and Systems	10,727	-	-	-
Treasury and Finance	3,914	-	-	-
Tax and Revenue	18,459	-	-	-
Tax Revision	500	500	499	1
Elections and Ethics	2,947	2,902	2,624	278
Campaign Finance	808	783	764	19
Public Employee Relations	413	413	420	(7)
Employee Appeals	1,139	1,079	974	105
Council of Governments	374	374	374	-
Total government direction and support	**105,177**	**161,821**	**153,828**	**7,993**
Economic Development and Regulation:				
Business Services and Economic Development	46,400	28,004	25,956	2,048
Housing and Community Development	-	8,350	6,988	1,362
Zoning	855	855	712	143
Housing Authority Payment	2,080	2,080	1,747	333
Employment Services	56,991	56,855	52,490	4,365
Appeals and Review	153	153	159	(6)
Real Property Assessment and Appeals	286	286	183	103
Consumer and Regulatory Affairs	13,307	12,076	11,143	933
Banking and Financial Institutions	-	600	393	207
Public Service Commission	-	4,556	4,124	432
Insurance and Securities	-	5,683	4,464	1,219
People's Counsel	-	2,428	2,222	206
Total economic development and regulation	**120,072**	**121,926**	**110,581**	**11,345**
Public Safety and Justice:				
Police	266,779	273,156	269,092	4,064
Fire and Emergency Medical Services	98,779	111,051	109,317	1,734
Police and Firefighter Retirement Contribution	47,700	47,700	47,700	-
Corporation Counsel	12,616	15,264	15,261	3
Payment of Settlements and Judgments	14,800	21,089	21,031	58
Corrections	85,167	100,323	96,875	3,448
Superior Court of the District of Columbia	-	217	150	67
Pretrial Services Agency	-	1,034	962	72
Board of Parole	-	116	116	-
National Guard	858	858	827	31
Emergency Preparedness	2,837	3,394	2,746	648
Judicial Disabilities and Tenure	125	125	120	5
Judicial Nomination	78	78	72	6
Total public safety and justice	**529,739**	**574,405**	**564,269**	**10,136**

	Budget			
	Original	Revised	Actual	Variance
Public Education System:				
Public Schools	564,129	644,259	634,239	10,020
Public Charter Schools	1,235	3,376	3,195	181
Teachers' Retirement Contribution	8,900	8,900	8,900	-
University	74,087	71,126	64,748	6,378
Public Library	22,036	22,491	21,435	1,056
Arts and Humanities	2,057	2,060	2,052	8
Total public education system	**672,444**	**752,212**	**734,569**	**17,643**
Human Support Services:				
Human Development	634,669	654,023	629,843	24,180
Health	961,128	978,591	906,430	72,161
Recreation and Parks	22,889	24,056	23,494	562
Aging	17,349	17,693	16,860	833
Public Benefit Corporation Payment	44,335	44,335	42,873	1,462
Unemployment Compensation Contribution	10,678	6,778	6,390	388
Employee Disability Compensation	21,089	24,989	33,041	(8,052)
Human Rights and Minority Business Opportunity	927	927	816	111
Latino Affairs	636	636	583	53
Commission on Women	20	20	-	20
Energy	5,219	5,565	4,789	776
Total human support services	**1,718,939**	**1,757,613**	**1,665,119**	**92,494**
Public Works:				
Public Works	110,315	124,267	119,322	4,945
Taxicab Commission	848	821	641	180
Washington Metropolitan Area Transit Commission	91	91	91	-
Washington Metropolitan Area Transit Authority	127,230	127,230	126,746	484
School Transit Subsidy	3,450	3,450	2,342	1,108
Total public works	**241,934**	**255,859**	**249,142**	**6,717**
Other:				
Washington Convention Center Payment	5,400	5,400	5,400	-
Repayment of Bonds and Interest	384,430	373,002	347,358	25,644
Repayment of General Fund Deficit Bonds	39,020	39,020	38,309	711
Interest on Short Term Borrowing	12,000	18,687	18,686	1
Certificates of Participation	7,923	7,923	7,926	(3)
Human Resource Development	6,000	6,000	3,457	2,543
Water and Sewer Authority	263,425	297,310	205,047	92,263
Washington Aqueduct	33,885	-	-	-
Lottery and Games	213,500	231,000	230,138	862
Cable Television	2,467	2,281	1,860	421
Sports Commission	5,936	6,936	2,914	4,022
Public Benefit Corporation Operations	52,684	52,684	85,429	(32,745)
Retirement Board Administration	16,762	16,762	1,986	14,776
Correctional Industries	3,332	3,165	2,647	518
Washington Convention Center Operations	41,000	30,000	21,185	8,815
Public Service Commission	4,547	-	-	-
People's Counsel	2,428	-	-	-
Insurance and Securities	5,683	-	-	-
Banking and Financial Institutions	600	-	-	-
Financial Responsibility Authority	3,220	3,220	3,220	-
Total other	**1,104,242**	**1,093,390**	**975,562**	**117,828**
Total budget	**$ 4,492,547**	**4,717,226**	**4,453,070**	**264,156**

Exhibit G-2

FINANCIAL REPORTING ENTITY

COMBINED SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS

Year Ended September 30, 1998
($000s)

	Local Source				Federal Grants			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
General Fund:								
Revenues	$ 2,854,973	2,919,473	3,340,246	420,773	1,072,455	1,098,408	1,011,510	(86,898)
Expenditures and PL 105-100 deficit reduction	2,841,632	2,884,868	2,767,748	117,120	1,072,455	1,098,408	1,028,571	69,837
Excess (Deficiency)	13,341	34,605	572,498	537,893	-	-	(17,061)	(17,061)
Water and Sewer Utility:								
Water and Sewer Authority:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Washington Aqueduct:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Total Water and Sewer Utility:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Lottery and Games:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Cable Television:								
Revenues	2,135	2,135	2,757	622	-	-	-	-
Expenditures	2,135	2,135	1,719	416	-	-	-	-
Excess (Deficiency)	-	-	1,038	1,038	-	-	-	-
Sports Commission:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Public Benefit Corp. Operations:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Retirement Board Administration:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Correctional Industries:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Public Service Commission:								
Revenues	-	-	-	-	117	-	-	-
Expenditures	4,250	-	-	-	117	-	-	-
Excess (Deficiency)	(4,250)	-	-	-	-	-	-	-
People's Counsel:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	2,428	-	-	-	-	-	-	-
Excess (Deficiency)	(2,428)	-	-	-	-	-	-	-
Insurance and Securities:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Banking and Financial Institutions:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	100	-	-	-	-	-	-	-
Excess (Deficiency)	(100)	-	-	-	-	-	-	-
Washington Convention Center Operations:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Total:								
Revenues	2,857,108	2,921,608	3,343,003	421,395	1,072,572	1,098,408	1,011,510	(86,898)
Expenditures and PL 105-100 deficit reduction	2,850,545	2,887,003	2,769,467	117,536	1,072,572	1,098,408	1,028,571	69,837
Excess (Deficiency)	$ 6,563	34,605	573,536	538,931	-	-	(17,061)	(17,061)

	Private and Other				Total			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
General Fund:								
Revenues	133,301	123,998	593,926	469,928	4,060,729	4,141,879	4,945,682	803,803
Expenditures and PL 105-100 deficit reduction	133,301	123,998	105,545	18,453	4,047,388	4,107,274	3,901,864	205,410
Excess (Deficiency)	-	-	488,381	488,381	13,341	34,605	1,043,818	1,009,213
Water and Sewer Utility:								
Water and Sewer Authority:								
Revenues	263,425	297,310	285,767	(11,543)	263,425	297,310	285,767	(11,543)
Expenditures	263,425	297,310	204,281	93,029	263,425	297,310	204,281	93,029
Excess (Deficiency)	-	-	81,486	81,486	-	-	81,486	81,486
Washington Aqueduct:								
Revenues	33,885	-	-	-	33,885	-	-	-
Expenditures	33,885	-	-	-	33,885	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Total Water and Sewer Utility:								
Revenues	297,310	297,310	285,767	(11,543)	297,310	297,310	285,767	(11,543)
Expenditures	297,310	297,310	204,281	93,029	297,310	297,310	204,281	93,029
Excess (Deficiency)	-	-	81,486	81,486	-	-	81,486	81,486
Lottery and Games:								
Revenues	213,500	231,000	230,423	(577)	213,500	231,000	230,423	(577)
Expenditures	213,500	231,000	230,138	862	213,500	231,000	230,138	862
Excess (Deficiency)	-	-	285	285	-	-	285	285
Cable Television:								
Revenues	332	146	2	(144)	2,467	2,281	2,759	478
Expenditures	332	146	141	5	2,467	2,281	1,860	421
Excess (Deficiency)	-	-	(139)	(139)	-	-	899	899
Sports Commission:								
Revenues	5,936	6,936	8,121	1,185	5,936	6,936	8,121	1,185
Expenditures	5,936	6,936	2,914	4,022	5,936	6,936	2,914	4,022
Excess (Deficiency)	-	-	5,207	5,207	-	-	5,207	5,207
Public Benefit Corp. Operations:								
Revenues	52,684	52,684	65,378	12,694	52,684	52,684	65,378	12,694
Expenditures	52,684	52,684	85,429	(32,745)	52,684	52,684	85,429	(32,745)
Excess (Deficiency)	-	-	(20,051)	(20,051)	-	-	(20,051)	(20,051)
Retirement Board Administration:								
Revenues	16,762	16,762	1,985	(14,777)	16,762	16,762	1,985	(14,777)
Expenditures	16,762	16,762	1,985	14,777	16,762	16,762	1,985	14,777
Excess (Deficiency)	-	-	-	-	-	-	-	-
Correctional Industries:								
Revenues	3,332	3,165	4,643	1,478	3,332	3,165	4,643	1,478
Expenditures	3,332	3,165	2,378	787	3,332	3,165	2,378	787
Excess (Deficiency)	-	-	2,265	2,265	-	-	2,265	2,265
Public Service Commission:								
Revenues	180	-	-	-	297	-	-	-
Expenditures	180	-	-	-	4,547	-	-	-
Excess (Deficiency)	-	-	-	-	(4,250)	-	-	-
People's Counsel:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	2,428	-	-	-
Excess (Deficiency)	-	-	-	-	(2,428)	-	-	-
Insurance and Securities:								
Revenues	5,683	-	-	-	5,683	-	-	-
Expenditures	5,683	-	-	-	5,683	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Banking and Financial Institutions:								
Revenues	500	-	-	-	500	-	-	-
Expenditures	500	-	-	-	600	-	-	-
Excess (Deficiency)	-	-	-	-	(100)	-	-	-
Washington Convention Center Operations:								
Revenues	41,000	30,000	63,432	33,432	41,000	30,000	63,432	33,432
Expenditures	41,000	30,000	21,185	8,815	41,000	30,000	21,185	8,815
Excess (Deficiency)	-	-	42,247	42,247	-	-	42,247	42,247
Total:								
Revenues	770,520	762,001	1,253,677	491,676	4,700,200	4,782,017	5,608,190	826,173
Expenditures and PL 105-100 deficit reduction	770,520	762,001	653,996	108,005	4,693,637	4,747,412	4,452,034	295,378
Excess (Deficiency)	-	-	599,681	599,681	6,563	34,605	1,156,156	1,121,551

Exhibit G-3

FINANCIAL REPORTING ENTITY

COMBINED SCHEDULE OF BUDGET REVISIONS

Year Ended September 30, 1998
($000s)

	Local Source					Federal Grants			
	Original Budget	Initial Allocation	Repro-gramming	Other Allocations	Revised Budget	Original Budget	Initial Allocation	Revenue Change	Revised Budget
Revenues and Sources:									
Taxes:									
Property taxes	$ 642,700	-	-	5,500	648,200	-	-	-	-
Sales and use taxes	542,900	-	-	8,000	550,900	-	-	-	-
Income taxes	678,000	-	-	20,000	698,000	-	-	-	-
Other taxes	530,300	-	-	17,400	547,700	-	-	-	-
Total taxes	2,393,900	-	-	50,900	2,444,800	-	-	-	-
Licenses and permits	50,100	-	-	-	50,100	-	-	-	-
Fines and forfeits	41,700	-	-	-	41,700	-	-	-	-
Charges for services	41,673	-	-	1,800	43,473	-	-	-	-
Miscellaneous	38,635	-	-	25,500	64,135	-	-	-	-
Intergovernmental	198,000	-	-	-	198,000	1,072,572	-	25,836	1,098,408
Transfers	74,200	-	-	5,200	79,400	-	-	-	-
Revenue initiatives	18,900	-	-	(18,900)	-	-	-	-	-
Total revenues and sources	**2,857,108**	-	-	**64,500**	**2,921,608**	**1,072,572**	-	**25,836**	**1,098,408**
Expenditures and Uses:									
Governmental direction and support	84,316	44,353	-	17,638	146,307	14,013	-	(7,305)	6,708
Economic development and regulation	40,377	11,918	-	75	52,370	42,065	117	1,641	43,823
Public safety and justice	510,326	40,513	2,600	954	554,393	13,519	-	(1,266)	12,253
Public education system	530,197	62,595	2,141	2,485	597,418	112,806	-	14,930	127,736
Human support services	789,350	10,171	-	5,616	805,137	886,702	-	18,890	905,592
Public works	227,983	8,132	-	9,690	245,805	3,350	-	(1,054)	2,296
Washington Convention Center payment	5,400	-	-	-	5,400	-	-	-	-
Repayment of bonds and interest	384,430	-	(11,428)	-	373,002	-	-	-	-
Repayment of General Fund deficit bonds	39,020	-	-	-	39,020	-	-	-	-
Interest on short term borrowing	12,000	-	6,687	-	18,687	-	-	-	-
Inaugural expenses	-	-	-	-	-	-	-	-	-
Certificates of participation	7,923	-	-	-	7,923	-	-	-	-
Human resource development	6,000	-	-	-	6,000	-	-	-	-
Water and Sewer Authority	-	-	-	-	-	-	-	-	-
Washington Aqueduct	-	-	-	-	-	-	-	-	-
Lottery and Games	-	-	-	-	-	-	-	-	-
Cable Television	2,135	-	-	-	2,135	-	-	-	-
Sports Commission	-	-	-	-	-	-	-	-	-
Public Benefit Corporation operations	-	-	-	-	-	-	-	-	-
Retirement Board administration	-	-	-	-	-	-	-	-	-
Correctional Industries	-	-	-	-	-	-	-	-	-
Washington Convention Center operations	-	-	-	-	-	-	-	-	-
Public Service Commission	4,250	(4,250)	-	-	-	117	(117)	-	-
People's Counsel	2,428	(2,428)	-	-	-	-	-	-	-
Insurance and Securities	-	-	-	-	-	-	-	-	-
Banking and Financial Institutions	100	(100)	-	-	-	-	-	-	-
Financial Responsibility Authority	3,220	-	-	-	3,220	-	-	-	-
Total expenditures and uses	**2,649,455**	**170,904**	-	**36,458**	**2,856,817**	**1,072,572**	-	**25,836**	**1,098,408**
Subtotal	207,653	(170,904)	-	28,042	64,791	-	-	-	-
PL 105-100 Deficit Reduction and Revitalization (Additions) Deductions	(201,090)	170,904	-	-	(30,186)	-	-	-	-
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	$ 6,563	-	-	**28,042**	**34,605**	-	-	-	-

	Private and Other				Total					
	Original Budget	Initial Allocation	Revenue Change	Revised Budget	Original Budget	Initial Allocation	Repro-gramming	Revenue Change	Other Allocations	Revised Budget
Revenues and Sources:										
Taxes:										
Real property taxes	-	-	-	-	642,700	-	-	-	5,500	648,200
Sales and use taxes	-	-	-	-	542,900	-	-	-	8,000	550,900
Individual income taxes	-	-	-	-	678,000	-	-	-	20,000	698,000
Other taxes	-	-	-	-	530,300	-	-	-	17,400	547,700
Total taxes	-	-	-	-	2,393,900	-	-	-	50,900	2,444,800
Licenses and permits	-	-	-	-	50,100	-	-	-	-	50,100
Fines and forfeits	-	-	-	-	41,700	-	-	-	-	41,700
Charges for services	-	-	-	-	41,673	-	-	-	1,800	43,473
Miscellaneous	770,520	-	(8,519)	762,001	809,155	-	-	(8,519)	25,500	826,136
Intergovernmental	-	-	-	-	1,270,572	-	-	25,836	-	1,296,408
Transfers	-	-	-	-	74,200	-	-	-	5,200	79,400
Revenue initiatives	-	-	-	-	18,900	-	-	-	(18,900)	-
Total revenues and sources	**770,520**	**-**	**(8,519)**	**762,001**	**4,700,200**	**-**	**-**	**17,317**	**64,500**	**4,782,017**
Expenditures and Uses:										
Governmental direction and support	6,848	-	1,958	8,806	105,177	44,353	-	(5,347)	17,638	161,821
Economic development and regulation	37,630	6,363	(18,260)	25,733	120,072	18,398	-	(16,619)	75	121,926
Public safety and justice	5,894	-	1,865	7,759	529,739	40,513	2,600	599	954	574,405
Public education system	29,441	-	(2,383)	27,058	672,444	62,595	2,141	12,547	2,485	752,212
Human support services	42,887	-	3,997	46,884	1,718,939	10,171	-	22,887	5,616	1,757,613
Public works	10,601	-	(2,843)	7,758	241,934	8,132	-	(3,897)	9,690	255,859
Washington Convention Center payment	-	-	-	-	5,400	-	-	-	-	5,400
Repayment of bonds and interest	-	-	-	-	384,430	-	(11,428)	-	-	373,002
Repayment of General Fund deficit bonds	-	-	-	-	39,020	-	-	-	-	39,020
Interest on short term borrowing	-	-	-	-	12,000	-	6,687	-	-	18,687
Inaugural expenses	-	-	-	-	-	-	-	-	-	-
Certificates of participation	-	-	-	-	7,923	-	-	-	-	7,923
Human resource development	-	-	-	-	6,000	-	-	-	-	6,000
Water and Sewer Authority	263,425	-	33,885	297,310	263,425	-	-	33,885	-	297,310
Washington Aqueduct	33,885	-	(33,885)	-	33,885	-	-	(33,885)	-	-
Lottery and Games	213,500	-	17,500	231,000	213,500	-	-	17,500	-	231,000
Cable Television	332	-	(186)	146	2,467	-	-	(186)	-	2,281
Sports Commission	5,936	-	1,000	6,936	5,936	-	-	1,000	-	6,936
Public Benefit Corporation operations	52,684	-	-	52,684	52,684	-	-	-	-	52,684
Retirement Board administration	16,762	-	-	16,762	16,762	-	-	-	-	16,762
Correctional Industries	3,332	-	(167)	3,165	3,332	-	-	(167)	-	3,165
Washington Convention Center operations	41,000	-	(11,000)	30,000	41,000	-	-	(11,000)	-	30,000
Public Service Commission	180	(180)	-	-	4,547	(4,547)	-	-	-	-
People's Counsel	-	-	-	-	2,428	(2,428)	-	-	-	-
Insurance and Securities	5,683	(5,683)	-	-	5,683	(5,683)	-	-	-	-
Banking and Financial Institutions	500	(500)	-	-	600	(600)	-	-	-	-
Financial Responsibility Authority	-	-	-	-	3,220	-	-	-	-	3,220
Total expenditures and uses	**770,520**	**-**	**(8,519)**	**762,001**	**4,492,547**	**170,904**	**-**	**17,317**	**36,458**	**4,717,226**
Subtotal	-	-	-	-	207,653	(170,904)	-	-	28,042	64,791
PL 105-100 Deficit Reduction and Revitalization (Additions) Deductions	-	-	-	-	(201,090)	170,904	-	-	-	(30,186)
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	-	-	-	-	6,563	-	-	-	28,042	34,605

Exhibit G-4

FINANCIAL REPORTING ENTITY

COMBINING SCHEDULE OF FINANCIAL OPERATION

Year Ended September 30, 1998
With Comparative Totals for Year Ended September 30, 1997
($000s)

	General	Financial Responsibility Authority	Capital Projects	Lottery and Games	Expendable Trust	Public Beneift Corporation	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals 1998	Totals 1997
Revenues:													
Taxes	$ 2,815,900	-	-	-	90,617	-	-	-	-	-	-	2,906,517	2,674,523
Licenses and permits	48,123	-	-	-	-	-	-	-	-	-	-	48,123	45,490
Fines and forfeits	53,177	-	-	-	-	-	-	-	-	-	-	53,177	51,664
Charges for services	80,128	4,658	-	103,769	-	127,558	255,396	9,443	8,121	29,611	16,962	635,646	572,677
Benefit contributions	-	-	-	-	13,181	-	-	-	-	-	-	13,181	23,630
Miscellaneous	180,604	170	-	3,780	10,069	-	22,187	6,876	-	13,895	7,181	244,762	192,486
Intergovernmental	1,231,163	-	-	-	-	-	-	-	-	25,634	8,099	1,264,896	1,603,067
Transfers in	81,300	9,543	29,257	-	-	42,873	-	47,113	-	-	41,391	251,477	219,262
Total revenues	4,490,395	14,371	29,257	107,549	113,867	170,431	277,583	63,432	8,121	69,140	73,633	5,417,779	5,382,799
Expenditures:													
General direction	168,292	14,371	-	-	-	-	-	-	-	-	-	182,663	162,121
Economic development	181,839	-	-	-	-	-	-	-	-	24,444	-	206,283	177,421
Public safety and justice	550,876	-	-	-	-	-	-	-	-	-	-	550,876	994,554
Public education	670,205	-	-	-	-	-	-	-	-	-	68,849	739,054	751,286
Human support services	1,728,752	-	-	25,827	76,995	144,645	-	19,636	5,705	-	-	2,001,560	1,897,531
Public works	262,145	-	-	-	-	-	182,503	-	-	-	-	444,648	421,727
Interest and charges	180,427	-	-	-	-	-	15,461	-	-	36,612	-	232,500	237,170
Transfers out	236,445	-	-	81,300	-	-	-	-	-	-	-	317,745	218,287
Total expenditures	3,978,981	14,371	-	107,127	76,995	144,645	197,964	19,636	5,705	61,056	68,849	4,675,329	4,860,097
OPERATING EXCESS (DEFICIENCY)	511,414	-	29,257	422	36,872	25,786	79,619	43,796	2,416	8,084	4,784	742,450	522,702
Capital Sources (Uses):													
Capital acquisitions	-	-	(264,533)	-	-	(337)	2,364	12,307	(99)	(2,395)	2,314	(250,379)	(207,468)
Capital contributions	-	-	110,891	-	-	-	-	-	-	-	4,060	114,951	94,995
Interest	-	-	2,238	-	-	-	-	-	-	-	-	2,238	5,633
Lease inceptions and asset sales	197	-	-	-	-	-	-	-	-	-	-	197	58,069
Bond proceeds	476,972	-	206,135	-	-	-	-	-	-	245,513	-	928,620	643,336
Debt payments	(685,958)	-	-	-	-	-	(167,978)	-	-	92,147	-	(761,789)	(220,339)
Other	-	-	773	-	-	-	3,218	-	-	-	-	3,991	-
Total capital sources (uses)	(208,789)	-	55,504	-	-	(337)	(162,396)	12,307	(99)	335,265	6,374	37,829	374,226
NET EXCESS (DEFICIENCY)	302,625	-	84,761	422	36,872	25,449	(82,777)	56,103	2,317	343,349	11,158	780,279	896,928
Reclassification to GAAP basis	142,224		-	(321)	-	(5,979)	143,469	(14,617)	(917)	(335,372)	(6,374)	(77,887)	(383,462)
INCREASE (DECREASE) IN BALANCES	444,849	-	84,761	101	36,872	19,470	60,692	41,486	1,400	7,977	4,784	702,392	513,466
Balances at October 1	(332,357)	970	139,229	3,051	146,839	(144,507)	186,823	90,730	7,868	30,516	13,242	142,404	(371,062)
Balances at September 30	$ 112,492	970	223,990	3,152	183,711	(125,037)	247,515	132,216	9,268	38,493	18,026	844,796	142,404

Exhibit G-5

FINANCIAL REPORTING ENTITY

COMPARATIVE SCHEDULES OF FINANCIAL ACTIVITY

Years Ended September 30, 1998 and 1997
($000s)

	1998					1997		Difference	
	Gross Cost	Related Resources District	Related Resources Federal	Net Cost	% of Revenue	Net Cost	% of Revenue	Better or (Worse) Amount	Better or (Worse) %
General Revenues:									
Sovereign:									
Taxes	$ -	2,815,900	-	2,815,900	85.4 %	$ 2,577,344	74.0 %	$ 238,556	9.3 %
Licenses and permits	-	48,123	-	48,123	1.5	45,490	1.3	2,633	5.8
Fines and forfeits	-	53,177	-	53,177	1.6	51,664	1.5	1,513	2.9
Miscellaneous:									
Interest	-	32,478	-	32,478	1.0	18,619	0.5	13,859	74.4
Other	-	148,126	-	148,126	4.5	124,029	3.6	24,097	19.4
Intergovernmental:									
Payment in lieu of taxes	-	-	198,000	198,000	6.0	665,702	19.1	(467,702)	(70.3)
Total general revenues	-	3,097,804	198,000	3,295,804	100.0	3,482,848	100.0	(187,044)	(5.4)
Cost of Operating:									
Governmental:									
General direction	168,292	6,693	5,029	156,570	4.8	143,941	4.1	(12,629)	(8.8)
Economic development	181,839	28,215	86,892	66,732	2.0	66,155	1.9	(577)	(0.9)
Public safety and justice	550,876	9,401	9,938	531,537	16.1	953,773	27.3	422,236	44.3
Public education	670,205	4,539	106,272	559,394	16.9	591,613	17.0	32,219	5.4
Human support services	1,728,751	3,020	823,317	902,414	27.4	857,531	24.6	(44,883)	(5.2)
Public works	262,145	28,259	1,715	232,171	7.0	225,532	6.5	(6,639)	(2.9)
Interest and charges	180,427	-	-	180,427	5.5	187,652	5.4	7,225	3.9
Transfers	236,445	110,557	-	125,888	3.8	51,556	1.5	(74,332)	(144.2)
Special Revenue:									
General direction	14,371	14,371	-	-	-	47	-	47	100.0
Enterprise:									
Lottery and games	107,127	107,549	-	(422)	-	(534)	-	(112)	(21.0)
Trust:									
Expendable	76,995	113,867	-	(36,872)	(1.1)	(24,624)	(0.7)	12,248	49.7
Component Units:									
Public Benefit Corporation	144,645	170,431	-	(25,786)	(0.8)	2,001	0.1	27,787	1,388.7
Water and Sewer	197,964	277,583	-	(79,619)	(2.4)	(46,909)	(1.3)	32,710	69.7
Convention Center	19,636	63,432	-	(43,796)	(1.3)	(38,557)	(1.1)	5,239	13.6
Sports Commission	5,705	8,121	-	(2,416)	(0.1)	(2,579)	(0.1)	(163)	(6.3)
Housing Finance	61,056	43,506	25,634	(8,084)	(0.2)	(3,189)	(0.1)	4,895	153.5
University	68,849	65,534	8,099	(4,784)	(0.1)	(3,262)	(0.1)	1,522	46.7
Net cost of operating	4,675,328	1,055,078	1,066,896	2,553,354	77.5	2,960,147	85.0	406,793	13.7
CURRENT INCOME	4,675,328	4,152,882	1,264,896	742,450	22.5	522,701	15.0	219,749	42.0
Cost of Investing (Financing):									
Fixed assets	250,379	10,486	110,891	129,002	4.0	48,771	1.4	(80,231)	(164.5)
Long term debt	761,789	928,620	-	(166,831)	(5.1)	(422,997)	(12.1)	(256,166)	(60.6)
Net cost of investing	1,012,168	939,106	110,891	(37,829)	(1.1)	(374,226)	(10.7)	(336,397)	(89.9)
FINANCIAL FLOW IN	5,687,496	5,091,988	1,375,787	780,279	23.6	896,927	25.7	(116,648)	(13.0)
Reclassification to GAAP Basis:									
Employee benefits	142,224	-	-	142,224	4.3	(39,772)	(1.1)	181,996	457.6
Depreciation	(32,215)	-	-	(32,215)	(1.0)	(32,395)	(0.9)	180	0.6
Fixed assets	(14,154)	4,060	-	(18,214)	(0.6)	(5,820)	(0.2)	(12,394)	(213.0)
Long term debt	75,831	245,513	-	(169,682)	(5.1)	(305,474)	(8.8)	135,792	44.5
Total reclassification	171,686	249,573	-	(77,887)	(2.4)	(383,461)	(11.0)	305,574	79.7
INCREASE (DECREASE) IN BALANCES	$ 5,515,810	4,842,415	1,375,787	702,392	21.2 %	$ 513,466	14.7 %	$ 188,926	36.8 %

Exhibit G-6

GENERAL FUND

COMPARATIVE SCHEDULES OF CASH FLOWS

Years Ended September 30, 1998 and 1997
($000s)

	1998	1997
Operating Activities:		
Cash receipts from taxes, licenses and fines	$ 2,919,095	2,704,710
Cash receipts from payment in lieu of taxes	198,000	665,702
Cash receipts from operating grants	1,003,190	829,020
Cash receipts from customers	139,889	78,443
Other cash receipts	148,483	123,854
Cash payments to vendors	(1,200,170)	(1,108,980)
Cash payments to employees	(1,430,624)	(1,847,533)
Cash payments to welfare recipients	(829,410)	(954,585)
Net cash provided	948,453	490,631
Capital and Related Financing Activities:		
Acquisitions of fixed assets (1)	-	(27,272)
Payments of long term debt (1)	(219,435)	(181,803)
Payments of interest and charges (1)	(181,197)	(174,360)
Net cash provided (used)	(400,632)	(383,435)
Noncapital Financing Activities:		
Proceeds of refunding bonds	476,972	71,703
Payments of refunded debt	(431,758)	(70,914)
Payments of refunding charges	(34,765)	(1,483)
Interfund transfers in	81,300	69,200
Interfund transfers out	(103,568)	(33,386)
Intragovernmental transfers out	(132,877)	(115,701)
Sale of fixed assets	197	53,647
Payments of funding bonds (1)	-	(26,100)
Payments of funding interest (1)	(9,477)	(18,789)
Receipts (payments) of interfund loans (1)	6,774	23,271
Receipts (payments) of intergovernmental loans (1)	(223,100)	(59,900)
Receipts (payments) of other loans (1)	(61,620)	83,601
Payments of loan interest (1)	(775)	(16,167)
Net cash provided (used)	(432,697)	(41,018)
Investing Activities:		
Receipts of interest and dividends (1)	32,121	18,794
Net cash provided (used)	32,121	18,794
INCREASE IN CASH	**147,245**	**84,972**
Cash and Investments at October 1	**307,219**	**222,247**
Cash and Investments at September 30	**$ 454,464**	**307,219**
Reconciliation of Operating Excess to Net Cash Provided by Operating Activities:		
Excess of revenues over expenditures	$ 589,348	208,976
Capital Lease	-	3,850
Adjustments for nonoperating activities (sum of 1s)	656,709	378,725
Decrease (increase) in assets:		
Receivables	33,621	11,495
Allowances for uncollectibles	7,714	(2,396)
Inventories	19,265	(3,726)
Other current assets	3,221	(986)
Increase (decrease) in liabilities:		
Payables	(21,219)	(13,700)
Accrued liabilities	(54,098)	(123,991)
Deferred revenue	22,393	14,055
Short term debt - intergovernmental	(297,100)	14,100
Other current liabilities	(11,401)	4,229
Net cash provided	$ 948,453	490,631
	-	
Noncash contributions	$ 1,459	92,516

Exhibit S-1

GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years
($000s)

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeits	Charges for Services	Miscel-laneous	Total District Sources	Intergovernmental Payments	Intergovernmental Grants	Total (Exhibit A-2)	Excess (Defi-ciency)
1989	$ 2,204,598	33,069	45,511	125,756	93,490	2,502,424	453,800	532,967	3,489,191	5,469
1990	2,279,127	32,285	48,542	139,554	98,431	2,597,939	506,966	575,357	3,680,262	(118,186
1991	2,371,732	32,997	53,026	148,810	125,323	2,731,888	625,231	628,370	3,985,489	333,159
1992	2,384,300	41,856	51,860	148,723	122,952	2,749,691	643,772	695,616	4,089,079	1,986
1993	2,557,852	44,564	51,845	138,156	112,012	2,904,429	635,930	759,845	4,300,204	7,766
1994	2,470,053	49,098	48,107	137,361	127,628	2,832,247	647,930	960,708	4,440,885	(335,428
1995	2,391,041	47,583	42,447	120,033	128,008	2,729,112	660,000	951,848	4,340,960	(54,428
1996	2,517,044	49,400	40,792	108,321	116,080	2,831,637	660,000	960,948	4,452,585	(33,688
1997	2,577,344	45,490	51,664	87,384	142,648	2,904,530	665,702	906,057	4,476,289	185,892
1998	2,815,900	48,123	53,177	80,128	180,604	3,177,932	198,000	1,033,163	4,409,095	444,849

Exhibit S-2

GENERAL FUND EXPENDITURES AND USES BY FUNCTION

Last Ten Fiscal Years
($000s)

Fiscal Year	Govern-mental Direction	Economic Develop-ment	Public Safety	Public Education	Human Services	Public Works	Future Employee Benefits	Debt Service	Financing Uses (1)	Total (Exhibit A-2)
1989	$ 147,014	258,969	928,983	658,857	1,097,031	270,089	(169,653)	228,848	63,584	3,483,722
1990	153,766	275,225	1,040,924	713,372	1,212,370	287,094	(234,595)	254,850	95,442	3,798,448
1991	155,541	289,644	1,043,279	736,652	1,342,828	294,484	(273,006)	284,921	(222,013)	3,652,330
1992	142,265	263,003	1,057,508	754,009	1,411,451	289,587	(219,517)	340,358	48,429	4,087,093
1993	136,630	285,249	1,067,374	754,104	1,636,871	303,366	(295,232)	351,071	53,005	4,292,438
1994	129,601	286,722	1,106,556	796,138	1,874,348	276,964	(73,542)	333,413	46,113	4,776,313
1995	131,001	258,514	1,069,910	759,973	1,442,251	253,482	75,688	344,895	59,674	4,395,388
1996	157,576	150,743	999,298	714,653	1,734,947	278,161	(10,733)	367,704	93,924	4,486,273
1997	153,777	154,754	994,554	667,384	1,602,026	259,490	39,773	395,555	23,084	4,290,397
1998	168,292	181,839	550,876	670,205	1,728,752	262,145	(142,224)	399,862	144,499	3,964,246

(1) Financing uses in 1991 includes funding bond proceeds of $336,605.

Exhibit S-3

GENERAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years
($000s)

Fiscal Year	Property			Sales and Use		Income and Franchise		Gross Receipts	Other Taxes	Total (Exhibit S-1)
	Real (1)	Personal (2)	Rental (2)	General	Selective	Individual	Business			
1989	$ 638,218	63,404	9,144	428,763	78,406	603,469	156,414	136,680	90,100	2,204,598
1990	664,591	62,584	9,963	466,557	80,266	637,910	139,741	127,573	89,942	2,279,127
1991	801,876	69,899	10,103	451,582	79,422	615,746	133,279	142,562	67,263	2,371,732
1992	820,892	65,609	16,818	442,496	82,254	620,208	87,877	180,192	67,954	2,384,300
1993	928,322	67,085	16,256	410,068	94,667	589,521	140,998	229,593	81,342	2,557,852
1994	730,641	62,437	17,931	458,555	98,919	650,660	150,208	243,199	57,503	2,470,053
1995	654,284	61,305	14,754	485,651	98,456	643,676	160,679	210,912	61,324	2,391,041
1996	668,749	65,003	12,052	494,427	95,217	689,408	155,623	244,438	92,127	2,517,044
1997	617,694	60,392	9,513	514,635	99,266	753,475	188,093	238,898	95,378	2,577,344
1998	616,935	68,475	10,030	557,081	92,815	861,505	221,597	247,580	139,882	2,815,900

(1) The real property tax year was changed from June 30 to September 30 in 1993. Real property tax revenue increased $172,863 in 1993 because taxes due on September 15, 1993, for the six month period ended December 31, 1993, were applied to the three month period ended December 31, 1993 (D.C. Act 10-32).

(2) The personal property and public space rental tax year is from July 1 to June 30. Taxes are due by July 31. One quarter of the taxes is recognized as revenue in the current fiscal year and three quarters are deferred and recognized as revenue in the following fiscal year.

Exhibit S-4

GENERAL FUND CURRENT EXPENDITURES BY OBJECT

Last Ten Fiscal Years
($000s)

Fiscal Year	Salaries and Wages	Total Benefits	Future Benefits	Contractual Services	Supplies	Occupancy	Miscellaneous Assistance	Miscellaneous Other	Total (Exhibit A-3)	Balance (Deficit)
1989	$ 1,438,716	519,853	(169,653)	287,193	80,393	117,630	522,598	394,560	3,191,290	(213,403)
1990	1,506,719	629,689	(234,595)	305,869	90,864	126,687	569,369	453,553	3,448,155	(331,589)
1991	1,513,993	688,186	(273,006)	336,751	89,953	132,024	640,456	461,065	3,589,422	1,570
1992	1,508,717	681,449	(219,517)	336,723	92,432	147,008	664,671	486,823	3,698,306	3,556
1993	1,475,465	814,241	(295,232)	376,811	93,541	150,762	827,078	445,696	3,888,362	11,322
1994	1,553,733	625,146	(73,542)	408,921	75,797	148,100	1,126,107	532,525	4,396,787	(324,106)
1995	1,450,122	425,490	75,688	380,267	55,134	137,791	1,057,085	409,242	3,990,819	(484,561)
1996	1,385,054	543,752	(10,733)	380,138	71,512	117,997	1,152,238	384,687	4,024,645	(518,249)
1997	1,332,704	471,232	39,773	431,612	57,338	130,632	1,045,642	362,825	3,871,758	(332,357)
1998	1,180,964	381,637	(142,224)	433,108	50,005	123,674	829,410	563,311	3,419,885	112,492

Note: The 1995 Balance (Deficit) reflects a restatement made in 1997. Other 1995 and prior amounts have not been restated.

Exhibit S-5

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years
($000s)

Fiscal Year	Tax Levy	Tax Collections (1)			Percent of Collections to Levy		Delinquent Taxes		
		Current	Delinquent	Total	Current	Total	Addition (Deduction)	Out-standing	Percent to Levy
1989	$ 593,469	589,316	10,779	600,095	99.3	101.1	154	2,889	0.5 %
1990	648,568	624,345	20,744	645,089	96.3	99.5	1,402	7,770	1.2
1991	771,588	752,075	16,357	768,432	97.5	99.6	(638)	10,288	1.3
1992	820,919	796,444	23,111	819,555	97.0	99.8	12,531	24,183	2.9
1993	928,934	867,715	21,523	889,238	93.4	95.7	17,506	81,385	8.8
1994	721,924	657,899	49,589	707,488	91.1	98.0	(31,796)	64,025	8.9
1995	720,331	649,020	43,933	692,953	90.1	96.2	(39,126)	52,277	7.3
1996	700,171	632,181	48,905	681,086	90.3	97.3	(20,898)	50,464	7.2
1997	648,166	606,435	21,002	627,437	93.6	96.8	(22,923)	48,270	7.4
1998	638,569	590,249	30,548	620,797	92.4	97.2	(28,813)	37,229	5.8

(1) Approximately 47 percent of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest.

Source: Office of Tax and Revenue

Exhibit S-6

MAJOR TAX RATES

Last Ten Fiscal Years

Fiscal Year	Property (1) Real Residential Owner-Occupied	Real Residential Tenant-Occupied	Real Commercial Hotels	Real Commercial Improved	Real Commercial Unimproved	Personal	Sales and Use General (2)	Sales and Use Selective Cigarette (3)	Sales and Use Selective Motor Fuel (4)	Income and Franchise (5) Individual	Income and Franchise (5) Business	Gross Receipt Public Utility (6)
1989	$ 1.06	1.54	1.82	2.03	2.03	3.10	0.0600	0.17	0.180	.060-.095	0.10250	0.067
1990	0.96		1.85	2.15	3.29							
1991											0.10500	
1992								0.30				
1993						3.40		0.50	0.200			0.097
1994					5.00			0.65			0.10250	
1995							0.0575					0.100
1996											0.09975	
1997												
1998												

Units: (1) Per $100 of assessed value. (2) Per $1 of sales. (3) Per pack. (4) Per gallon. (5) Per $1 of taxable income. (6) Per $1 of gross receipts.

Source: Office of Tax and Revenue

Exhibit S-7

ASSESSED VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years
($000s)

Fiscal Year	Assessed Value of Property (1) Commercial	Residential (2)	Total Taxable	Tax Exempt	Commercial Construction Number of Units	Value	Residential Construction Number of Units	Value	Bank Deposits (3)
1989	$ 19,492,000	15,826,000	35,318,000	26,747,400	349	$ 594,297	536	$ 102,869	11,881,261
1990	21,794,217	17,214,433	39,008,650	28,764,776	111	915,113	191	49,440	12,515,450
1991	25,256,291	19,880,777	45,137,068	27,600,164	34	462,237	64	14,321	12,300,530
1992	27,901,550	20,830,365	48,731,915	33,269,958	24	320,900	59	22,201	12,300,529
1993	24,478,683	20,505,958	44,984,641	31,892,428	29	68,470	21	7,967	9,602,051
1994	22,446,880	21,951,120	44,398,000	32,126,502	29	79,754	45	20,509	9,078,000
1995	21,687,105	20,480,012	42,167,117	32,154,883	5	77,467	67	24,815	8,893,414
1996	20,657,057	22,041,463	42,698,520	29,749,392	12	101,717	80	21,399	9,025,183
1997	19,373,225	22,884,675	42,257,900	30,170,470	57	1,003,761	165	91,170	8,865,299
1998	19,726,319	23,461,404	43,187,723	31,517,981	127	343,121	165	35,851	n/a

(1) Assessed value is 100 percent of estimated actual value.

(2) After deduction of homestead exemptions and credits against tax.

(3) Source - Federal Deposit Insurance Corporation Data Book

Source: Office of Tax and Revenue

n/a Not available

Exhibit S-8

TEN HIGHEST ASSESSED VALUES FOR TAX EXEMPT PROPERTIES

October 1, 1998

Property (1)	Value
George Washington University and Hospital	$ 618,908,284
The International Bank for Reconstruction and Development	431,163,760
Georgetown University and Hospital	410,729,012
Howard University and Hospital	398,329,015
International Finance Corporation	253,186,510
American University	210,126,663
Washington Hospital Center	187,913,700
Inter-American Development Bank	137,681,000
Catholic University of America	126,657,528
National Cathedral	124,092,282

(1) Excludes Federal, District and foreign government property.

Source: Office of Tax and Revenue

Exhibit S-9

TEN HIGHEST ASSESSED VALUES FOR COMMERCIAL PROPERTIES

October 1, 1998

Squares	Lots	Building	Land	Improvements	Total
465	96	400 7th Street, N.W.	$ 64,761,675	110,030,325	174,792,000
163	55	1050 Connecticut Avenue, N.W.	62,985,975	110,716,025	173,702,000
254	837	1331 Pennsylvania Avenue, N.W.	77,196,150	82,331,850	159,528,000
106	49	1835 I Street, N.W.	80,210,044	74,155,956	154,366,000
538	874	300 E Street, N.W.	29,727,672	112,910,328	142,638,000
290	43	555 13th Street, N.W.	47,591,145	89,416,855	137,008,000
321	27	555 12th Street, N.W.	61,196,128	53,284,757	114,480,885
456	865	601 E Street, N.W.	28,231,203	85,031,797	113,263,000
224	22	613 15th Street, N.W.	50,333,220	62,737,080	113,070,300
225	33	1401 Pennsylvania Avenue, N.W.	47,660,688	57,109,312	104,770,000

Source: Office of Tax and Revenue

Exhibit S-10

TEN HIGHEST ASSESSED VALUES FOR RESIDENTIAL PROPERTIES

October 1, 1998

Squares	Lots	Building	Land	Improvements	Total
1346	803	1801 Foxhall Road, N.W.	$ 11,120,231	909,139	12,029,370
2630	819	1940 Shepherd Street, N.W.	5,928,872	3,038,650	8,967,522
1346	822	Foxhall Road, N.W.	7,062,310	-	7,062,310
1341	861	2301 Foxhall Road, N.W.	5,372,774	500,000	5,872,774
2198	14	2929 Massachusetts Avenue, N.W.	782,438	3,742,857	4,525,295
2199	254	2501 30th Street, N.W.	629,251	3,888,447	4,517,698
2140	44	2840 Woodland Drive, N.W.	1,543,202	2,790,329	4,333,531
6159	125	828 Bellevue Street, N.W.	987,298	3,012,702	4,000,000
1285	812	1623 28th Street, N.W.	1,988,311	1,971,873	3,960,184
1513	905	3244 Nebraska Avenue, N.W.	2,525,347	1,378,766	3,904,113

Source: Office of Tax and Revenue

Exhibit S-11

COMPUTATION OF LEGAL DEBT LIMITATION

Last Two Fiscal Years
($000s)

Description	Source	1998	1997
Revenues:			
General Fund:			
District Sources	Exhibit S-1	$ 3,177,932	2,904,530
Payment in lieu of taxes	Exhibit S-1	198,000	665,702
Water and Sewer Fund	Exhibit F-2	255,396	222,878
Subtotal		3,631,328	3,793,110
Less - court fees	Exhibit A-3	338	6,009
Total revenues		**$ 3,630,990**	**3,787,101**
Principal and Interest:			
General Fund:			
Principal	Exhibit S-13	219,435	207,903
Interest	Exhibit S-13	171,430	174,085
Water and Sewer Fund:			
Principal matured	Note 5A	167,978	32,186
Interest expense	Exhibit F-2	13,070	14,744
Interest capitalized	Note 4C	-	-
Total principal and interest (current year)		**$ 571,913**	**428,918**
Highest future year debt service cost	Note 5A	**$ 428,075**	**428,075**
Percent of Principal and Interest to Revenues (1)		**15.8%**	**11.3%**

(1) Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The debt service percent limitation was increased from 14 to 17 percent in fiscal year 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997, accounting for the decrease in revenues from the repeal of the Federal payment in lieu of taxes and the loss of court revenues.

Exhibit S-12

PERCENT OF DEBT TO ASSESSED VALUE AND DEBT PER CAPITA

Last Ten Fiscal Years
($000s)

Fiscal Year	General Obligation Debt (Note 5A) (1) Enterprise (2)	General	Total	Assessed Value (Exhibit S-7)	Percent of Debt to Assessed Value	Population (Exhibit S-14)	Debt Per Capita (3)
1989	$ 299,636	2,235,866	2,535,502	35,318,000	7.2	624,200	4,062
1990	300,643	2,489,716	2,790,359	39,008,650	7.2	603,768	4,622
1991	319,292	2,893,265	3,212,557	45,137,068	7.1	593,820	5,410
1992	313,742	3,026,047	3,339,789	48,731,915	6.9	584,897	5,710
1993	324,295	3,230,865	3,555,160	44,984,641	7.9	577,180	6,160
1994	337,760	3,314,312	3,652,072	44,398,000	8.2	565,796	6,455
1995	323,172	3,157,003	3,480,175	42,167,117	8.3	552,466	6,299
1996	303,719	2,965,756	3,269,475	42,698,520	7.7	539,646	6,059
1997	282,100	3,084,763	3,366,863	42,257,900	8.0	529,895	6,354
1998	114,122	3,091,403	3,205,525	43,187,723	7.4	523,124	6,128

(1) There is no revenue, special assessment or overlapping debt.

(2) A portion of the general obligation debt was incurred for the benefit of the Water and Sewer Enterprise Fund which services that debt as a matter of discretionary financial policy. The fund is not a legal entity and is not a party to the debt instruments.

(3) These amounts are not expressed in thousands.

Exhibit S-13

PERCENT OF DEBT SERVICE TO GENERAL FUND EXPENDITURES

Last Ten Fiscal Years
($000s)

Fiscal Year	Debt Service (Exhibit A-2) Principal	Interest (1)	Fiscal Charges	Total	General Fund Expenditures (Exhibit S-2)	Percent of Debt Service to General Fund Expenditures
1989	$ 71,743	153,555	3,550	228,848	3,483,722	6.6
1990	84,922	162,050	7,878	254,850	3,798,448	6.7
1991	97,792	177,452	9,677	284,921	3,652,330	7.8
1992	128,917	204,181	7,260	340,358	4,087,093	8.3
1993	151,675	193,641	5,755	351,071	4,292,438	8.2
1994	139,515	186,878	7,020	333,413	4,776,313	7.0
1995	157,308	184,510	3,077	344,895	4,395,388	7.8
1996	191,247	173,807	2,650	367,704	4,486,273	8.2
1997	207,903	174,085	13,567	395,555	4,290,397	9.2
1998	219,435	171,430	8,997	399,862	3,964,246	10.1

(1) Excludes accreted interest on capital appreciation bonds.

Exhibit S-14

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	Median Age	Hospital Patient-Days	Schools Students	Schools Teachers	University Students	University Graduates	Employment	Unemployment Rate
1989	624,200	23,367	32.9	135,757	81,301	6,655	7,089	889	679,800	4.9
1990	603,768	25,628	33.6	125,035	80,694	6,550	7,222	865	686,200	6.1
1991	593,820	27,040	33.7	125,385	80,618	6,305	6,901	919	678,800	7.5
1992	584,897	29,226	33.9	126,898	80,937	6,453	7,007	859	674,500	8.5
1993	577,180	30,475	34.2	119,130	80,937	6,231	6,590	871	671,500	8.7
1994	565,796	31,860	34.5	108,160	80,678	6,233	6,476	595	662,000	8.3
1995	552,466	33,452	34.9	83,219	80,450	6,038	6,518	927	646,900	8.7
1996	539,646	33,435	n/a	72,778	79,802	5,695	5,863	1,041	633,100	8.7
1997	529,895	34,932	36.0	68,375	78,648	5,062	4,754	961	612,700	7.7
1998	523,124	36,248	36.3	62,683	77,111	5,482	5,284	692	611,000	8.5

(1) Source: Federal Bureau of the Census.

(2) Source: Federal Department of Commerce, Bureau of Economic Analysis.

n/a Not available.

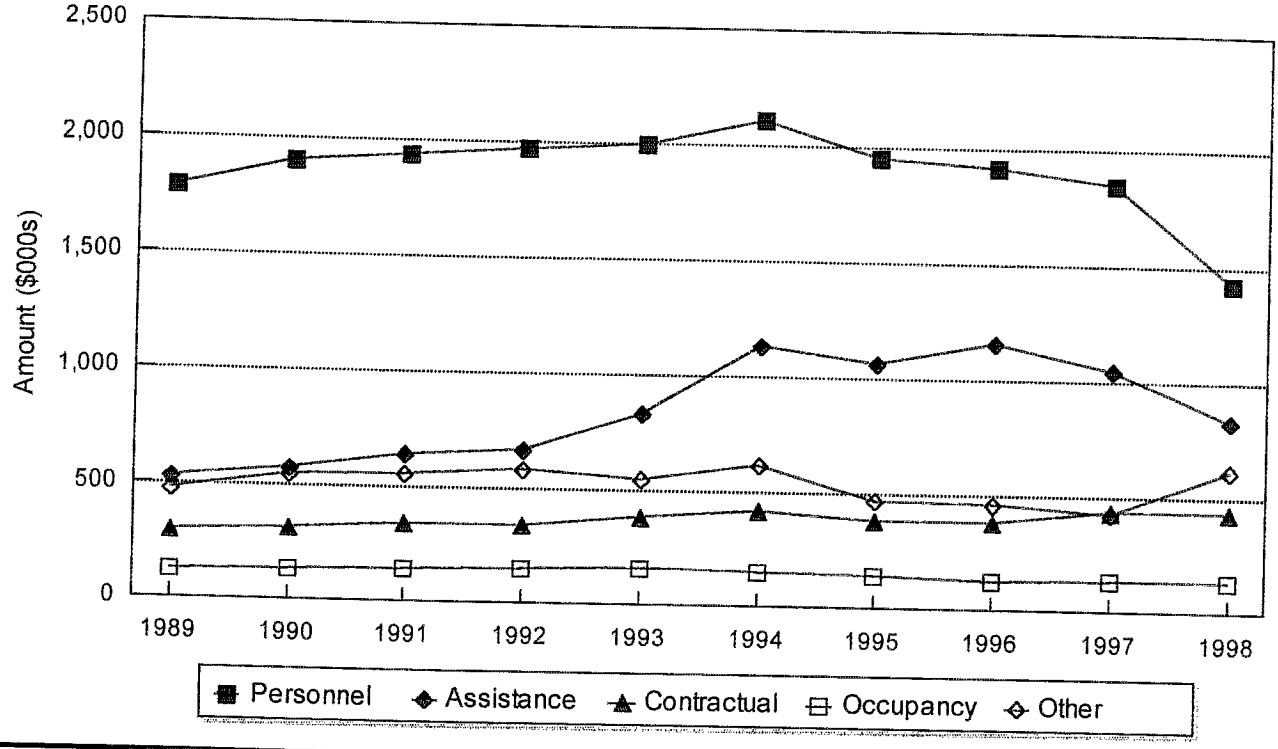
Exhibit S-15

MISCELLANEOUS STATISTICS

Last Two Fiscal Years

Description	1998	1997
Area (square miles):		
Federal and foreign governments	22.9	22.9
District government	2.4	2.4
Streets and alleys	16.7	16.7
Taxable base	19.9	19.9
Total area	61.9	61.9
Employees (authorized, permanent, full-time):		
Governmental direction and support	1,700	1,457
Economic development and regulation	584	626
Public safety and justice	8,738	10,611
Public education system	8,636	9,334
Human support services	3,224	3,112
Public works	2,225	2,111
Total employees	25,107	27,251
Police Protection:		
Number of stations including satellites	10	9
Number of police officers	3,537	3,657
Crime index offenses	48,819	58,378
Fire Protection:		
Number of stations	33	33
Number of fire fighters	1,206	1,233
Transportation:		
Number of street lights	66,429	66,364
Number of traffic signalized intersections	1,504	1,502
Number of motor vehicle registrations (1/1-12/31)	270,242	n/a
Number of operator licenses issued (1/1-12/31)	102,095	86,983
Water:		
Number of consumers	130,920	130,645
Average daily consumption (in millions of gallons)	133	137
Miles of mains	1,300	1,300
Sewers:		
Miles of mains	1,800	1,800
Daily maximum capacity (in millions of gallons)	740	740
Economic:		
Taxable retail sales (in millions)	$6,892	$6,640
Unemployment claims accepted	28,202	38,851
Unemployment claims rejected	8,412	15,898
Recreation:		
Number of centers and playgrounds	77	71
Number of day camps	3	3
Number of outdoor swimming pools	34	34
Number of indoor swimming pools	7	6
Libraries:		
Number of main and branch buildings	22	22
Number of community and kiosk facilities	5	5
Number of volumes	2,562,452	2,863,749
Education:		
Number of public schools	149	147

GENERAL FUND EXPENDITURES
Last Ten Fiscal Years



GENERAL FUND EXPENDITURES
Last Ten Fiscal Years